

# DAILY REPORT

*China*

Vol I No 124

27 June 1986

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PRC DELEGATE ADDRESSES DISARMAMENT CONFERENCE

OW261642 Beijing XINHUA in English 1505 GMT 26 Jun 86

[Text] Geneva, June 26 (XINHUA) -- The superpowers should halt their tests, production and deployment of all types of nuclear weapons and drastically reduce such weapons before all countries concerned can sit down to discuss thorough nuclear disarmament, Fan Guoxiang, head of the Chinese delegation, said here today.

Speaking at the on-going Conference on Disarmament (CD), the Chinese delegate pointed out that the danger of a nuclear war comes mainly from the two superpowers, which not only possess 95 percent of the world's nuclear weapons and a nuclear "overkill capability" but are also intensifying their nuclear arms race.

The states possessing the largest nuclear arsenals have a special responsibility for nuclear disarmament, a principle that has not only been widely recognized by the international community, but has also begun to be acknowledged by the two superpowers themselves, Fan said.

The Chinese delegation called on the superpowers to put an immediate end to "the qualitative improvement and quantitative increase of their nuclear weapons and to the deployment of nuclear weapons in various regions," and to reduce all types of nuclear weapons, either deployed in Europe or in Asia, by a wide margin. "After the United States and the Soviet Union halt the test, production and deployment of all types of nuclear weapons and drastically reduce these weapons, a broadly representative international conference with the participation of all the nuclear-weapon states can be held to discuss measures for further nuclear disarmament and thorough destruction of nuclear weapons," he said.

As for measures to prevent a nuclear war before the realization of nuclear disarmament, Fan said, "China supports the reasonable demand by numerous non-nuclear weapon states over the years calling for the prohibition of the uses of nuclear weapons." He noted that from the very day that China possessed nuclear weapons, the country declared that at no time and under no circumstances would it be the first to use nuclear weapons, nor to use or threaten to use nuclear weapons against non-nuclear weapon states or nuclear-weapon-free zones.

"We have proposed that all nuclear weapon states undertake this obligation and on this basis an international convention should be concluded, ensuring the prohibition of the use of nuclear weapons," Fan said. Fan maintained that in addition to nuclear disarmament, conventional disarmament should also be given importance. Since the two superpowers and their allies possess the largest and most sophisticated conventional armaments, "it is only natural that they should take the lead in reducing substantially their conventional armaments, particularly their conventional offensive forces," he said. He also expressed China's opposition to any development, tests or deployment of space weapons in any form, saying that the outer space should be used exclusively for peaceful purposes and for the benefit of all mankind.

The Chinese delegate said that China is opposed to the arms race and will never take part in it. The small amount of nuclear weapons China possesses are exclusively for self-defence purposes and the country will never be the first to use them, nor engage in any nuclear proliferation, nor conduct atmospheric nuclear tests in the future, he added.



U.S.-SOVIET ARMS TALKS END WITHOUT PROGRESS

OW261727 Beijing XINHUA in English 1555 GMT 26 Jun 86

[Text] Geneva, June 26 (XINHUA) -- The 5th round of the U.S.-Soviet negotiations on nuclear and space weapons ended here today after the two superpowers failed to reach any agreement. Before the U.S. and Soviet delegations met in the American mission here this morning, Soviet chief delegate Victor Karpov said that he has not perceived "any progress" in the current round of talks which started May 8.

During the past seven weeks, the Soviet delegation put forward several proposals on strategic, intermediate and space weapons reduction which have been rejected by the American side as "old offers in new wraps". However, when the Soviet Union proposed a package of arms reduction proposals in Jun 11 which would allow the research of outer space weapons in laboratories, U.S. President Ronald Reagan said it could be a "turning point" in the U.S.-Soviet relations. Nevertheless, Reagan insisted that the United States could not accept the proposals "without changes".

Informed sources said that a new round of arms talks may begin here on September 18.

The U.S. chief delegate, Max Kampelman, told reporters today that despite the "true, important and substantial differences" between the United States and the Soviet Union, there still exist "possibilities for serious and constructive discussions." He expressed the hope that the next round of talks will open ways for serious dialogues and lead to an agreement in certain aspects of arms control.

REAGAN STATEMENT WELCOMES SOVIET PROPOSALS

OW270728 Beijing XINHUA in English 0710 GMT 27 Jun 86

[Text] Washington, June 26 (XINHUA) -- U.S. President Ronald Reagan said in a statement today that the latest Soviet proposals mark the beginning of a serious Soviet effort to reach an arms control agreement. The statement was issued to mark the end of the fifth round of U.S.-Soviet arms control negotiations, which began in Geneva seven weeks ago. The next round will start on September 18 after a 12-week summer break.

Reagan said in the past two weeks Soviet negotiators at Geneva have tabled new proposals. "I am hopeful that these proposals signal the beginning of a serious Soviet effort to join with us in actually reducing offensive nuclear arms," the President said.

He said the United States is studying the Soviet proposals "very carefully to see how they might help to move us toward our goal of deep, equitable and verifiable arms cuts." "We know there is much hard bargaining ahead, but for our part, the United States is determined to do everything we can to achieve these deep reductions," he declared.

Meanwhile in Geneva today, Soviet chief negotiator, Viktor Karpov charged that the United States presented matters "in a distorted light" and continued "to block progress" in the negotiations. "There have been no changes in the position of the U.S. delegation that would lead to mutually acceptable agreements," he complained, according to reports reaching here.

XINHUA ON U.S. SEEKING MILITARY SUPERIORITY

OW270028 Beijing XINHUA Domestic Service in Chinese 0657 GMT 25 Jun 86

[Commentary by XINHUA reporter Mei Zhenmin: "U.S.-USSR Dispute Over the Strategic Arms Limitation Treaty"]

[Text] Beijing, 25 Jun (XINHUA) -- U.S. President Reagan declared on 27 May that because the Soviet Union has failed to observe the Strategic Arms Limitation Treaty [SALT II], the United States would no longer be bound by this treaty by the end of the year. Then, the Soviet Union warned that it would take "adequate, effective countermeasures," saying that it could not remain "unconcerned" over the U.S. action. The accord, which was signed in June 1979 after 300 talks over a period of 7 years, is now facing the danger of being abrogated.

Reviewing how this treaty was signed, we can see the changes in the relative nuclear strengths of the United States and the Soviet Union and their confrontation.

When Nixon visited the Soviet Union for the first time in July 1959 as vice president of the United States, U.S. nuclear strength was overwhelmingly superior to that of the Soviet Union by 10 to 1. Afterwards, the Soviet Union went all out to expand its military strength, taking advantage of the United States being bogged down in the Vietnam war. When Nixon visited the Soviet Union for the second time as U.S. President and signed the "provisional accord" of SALT I and the Antiballistic Missile Treaty with the Soviet Union in May 1972, the U.S. and Soviet nuclear strengths appeared to be the same. When President Carter and Brezhnev signed SALT II in Vienna in June 1979, the USSR had already exceeded the United States in strategic nuclear weapons launchers. According to official figures released by the two sides at that time, the Soviet Union had 2,504 launchers, and the United States had 2,283. The signing of the two accords indicated that the United States had already lost its nuclear superiority. Under such circumstances, the United States hoped to use the treaty to stop the growing nuclear strength of the Soviet Union which, after becoming equal to the United States in nuclear strength, also wanted to temporarily suspend its competition in quantity so as to concentrate on improving the quality of its nuclear weapons. Since both sides felt that the treaty would limit the other side in terms of quantity, but not quality, the deal was made.

After becoming the head of the White House in 1981, President Reagan decided to "restore national strength" and reverse the unfavorable situation in the arms race with the Soviet Union. In October of the same year after becoming President, he put forward plans to modernize U.S. strategic nuclear strength. Despite the staggering financial deficits, enormous military budgets were earmarked each year for the development and deployment of more advanced nuclear weapons. The current stage is one in which strategic nuclear weapons are being renewed.

According to a report by the U.S. Joint Chiefs of Staff on the military situation in fiscal 1987, "all types of weaponry, from strategic arms to individual arms for ground combat, are being renewed," and "the United States will continue to give top priority to the renewal of its strategic weaponry." In a long article entitled "The U.S. Defense Strategy" published in the spring issue of the FOREIGN AFFAIRS quarterly, U.S. Defense Secretary Weinberger stressed: "As a result of rebuilding U.S. military strength, the conditions for U.S.-Soviet relations will be redefined."

As the Reagan administration sees it, the United States has now extricated itself from the "Quite unfavorable situation of weakness" during the 1970's and has regained its "status of relatively powerful strength." The Reagan government's declaration that it will abrogate SALT II precisely proceeds from its need to seek military superiority and its intention to "redefine U.S.-USSR relations."

While the United States worked hard to modernize its strategic nuclear strength, the Soviet Union also proceeded to renew its strategic nuclear weapons. Reagan declared his intention to abrogate the treaty mainly because, following the deployment of SS-25 ICBMs, the Soviet Union developed a new generation strategic offensive weapon, the SS-24 mobile ICBM, and violated the treaty in various other areas. However, according to U.S. papers, this was just a superficial reason. In actuality, the Reagan administration wanted to use this reason to press the Soviets to make substantial concessions at the Geneva disarmament talks. From a longer perspective, the U.S. strategic scheme is to hinder the Soviet Union with an even more gigantic nuclear arms race so as to deplete the USSR's financial and material resources, rendering it incapable of achieving its "accelerated development strategy" to expedite its economic, scientific, and technological development.

The Reagan administration's decision to abrogate the aforesaid treaty has caused concern and opposition from its allies and the U.S. people. During a recent meeting of NATO foreign ministers, the United States' Western European allies all strongly opposed abrogating the treaty. Many U.S. congressmen have openly stated that the treaty should be sustained. The house also adopted a resolution urging the Reagan administration to continue to abide by the treaty. Owing to this, some U.S. papers and journals have predicted that the Reagan administration will have trouble during the midterm election in November. Amid the voices of opposition at home and abroad, the U.S. Government itself has also showed differences and disconcerted steps. After the White House spokesman stated on 12 June that the treaty "no longer exists," Secretary of State Shultz made a denial the next day. After Gorbachev proposed on 16 June that as long as the United States agreed to abide by the Anti-Ballistic Missile Treaty for 15 years, the USSR would agree to cut the number of strategic nuclear weapons, Secretary of Defense Weinberger immediately rejected the proposal. However, in a speech at Glassboro on 19 June, Reagan praised the proposal, saying that the Soviet Union has "begun to make a serious effort," that "it could represent a turning point" in the arms-control talks, and that "this can be an opportunity for improving U.S.-Soviet relations."

Meanwhile, both the USSR and the United States have not slammed the door on a second summit. As the international situation continues to change, the relations between the United States and the Soviet Union will also be marked by frequent tension and relaxation according to their strategic and tactical needs. At any rate, the international community does not want to see a deterioration of the situation.

#### INTERNATIONAL ATOMIC ENERGY CONFERENCE PLANNED

OW240614 Beijing XINHUA in English 0148 GMT 24 Jun 86

[Text] Bonn, June 23 (XINHUA) -- The International Conference on Atomic Energy, scheduled for September in Vienna, will focus on security measures such as early warning accident systems. Chancellor of Federal Germany Helmut Kohl and Minister of Foreign Affairs Hans-Dietrich Genscher today discussed the focus of the conference with Director-General of the International Atomic Energy Agency Hans Blix. Genscher said it was important that the international conference should achieve specific results.



After the Chernobyl accident in Soviet Union on April 26, Kohl wrote to over 30 countries which already have or are planning to put up nuclear stations, suggesting that an international conference be held. So far most of the invited countries have accepted and the conference will be held from September 24 to 26.

Blix, who is on a two-day visit to Bonn, is scheduled to meet Federal Minister of Environment Walter Wallmann, a former mayor of Frankfurt.

PRC MAKES 'GREAT DEVELOPMENT' IN FOREIGN TRADE

HK270617 Beijing GUOJI SHANGBAO in Chinese 16 Jun 86 p 2

[Report: "Import and Export Trade Made Great Development in the Sixth 5-Year Plan Period" -- capitalized passages published in boldface]

[Text] Our reporter has learned from the General Administration of Customs that along with the implementation of the policy of opening up to the outside world and enlivening the domestic economy, China made great development in foreign trade during the Sixth 5-Year Plan period.

1. The TOTAL IMPORT AND EXPORT VOLUME INCREASED BY MORE THAN 100 PERCENT. China's import and export volume amounted to \$252.4 billion in the Sixth 5-Year Plan period, an increase of 120 percent over the total volume of \$116 billion in the Fifth 5-Year Plan period. The import volume amounted to \$1132.4 billion, an increase of 121 percent; and the total export volume amounted to \$120 billion, an increase of 113 percent. The trade deficit was \$12.4 billion.

2. GREATER CHANGES HAVE TAKEN PLACE IN THE COMPOSITION OF IMPORTS AND EXPORTS. The export of finished industrial products has increased rapidly. The export volume of finished industrial products in the Sixth 5-Year Plan amounted to \$64.3 billion, an increase of 150 percent. Its proportion of the total export volume increased from 46 percent in the Fifth 5-Year Plan to 54 percent. The export volume of heavy industrial products amounted to \$17.7 billion, an increase of 270 percent; the export of chemical products amounted to \$4.8 billion an increase of 190 percent; and the export of light industrial and textile products amounted to \$41.8 billion, an increase of 110 percent. The export volume of elementary products in the Sixth 5-Year Plan amounted to \$55.7 billion, an increase of 85 percent, but its proportion of the total export volume decreased from 54 percent in the Fifth 5-Year Plan period to 46 percent. Of the elementary products, the export volume of foodstuffs amounted to \$17.2 billion, an increase of 47 percent; the export volume of industrial raw materials amounted to \$9.6 billion, an increase of 28 percent; and the export volume of mineral products and fuel amounted to \$28.4 billion, an increase of 170 percent. In the field of import, as a result of a series of reforms in the rural economic structure, the output of grain, cotton, and other crops has increased, leading to a decrease in the import volume of cotton and grain year by year. A gratifying situation of export volume exceeding import volume appeared in 1985.

3. CHINA HAS STRENGTHENED TRADE RELATIONS WITH ALL COUNTRIES. During the Sixth 5-Year Plan period, China further developed trade with developing countries; expanded trade with developed countries such as Japan, the United States, and the European Community; and made some development in trade with the Soviet Union and East European countries.



(1) China's import and export volume with developing countries amounted to \$54.7 billion, an increase of 100 percent. This volume accounted for 22 percent of China's total import and export volume. Of the figure, \$22 billion was for import, and \$32.7 was for export.

(2) China's import and export volume with developed countries amounted to \$143.8 billion, an increase of 120 percent. This volume accounted for 57 percent of China's total import and export volume. Of the figure, the import volume amounted to \$92.9 billion, and the export volume amounted to \$50.9 billion. China's imports from Japan amounted to \$39.3 billion, and exports to Japan amounted to \$25.9 billion. China's imports from the United States amounted to \$21 billion, and exports to the United States amounted to \$9.7 billion. China's imports from the European Community amounted to \$16.9 billion, and exports to the European Community amounted to \$11.6 billion.

(3) China's import and export volume with the Soviet Union and East European countries amount to \$9.7 billion, an increase of 432 percent. Of the figure, \$5.3 billion was for import, and \$4.4 billion was for export.

(4) China's import and export volume with Hong Kong and Macao amounted to \$4.2 billion, an increase of 180 percent. This volume accounted for 18 percent of China's total import and export volume. Of the figure, \$12.2 billion was for import, and \$32 billion was for export.

#### TIAN JIYUN ADDRESSES WORLD INSURANCE MEETING

OW241237 Beijing XINHUA in English 1122 GMT 24 Jun 86

[Text] Beijing, June 24 (XINHUA) — More than 300 insurance representatives from 49 countries and regions gathered here today to attend two Third-World insurance meetings which opened simultaneously. In his opening speech, Chinese Vice-Premier Tian Jiyun said that the two meetings — the Third World Insurance Congress (TWIC) and the meeting of the Association of Insurance Supervisory Authorities of Developing Countries (AISADC) — would contribute greatly to cooperation in Third World countries' insurance business. China welcomed cooperation between Chinese and international insurance bodies, which was beneficial to the development of South-South cooperation, South-North dialogue and the establishment of a new international economic order.

Representatives will discuss which topics as life insurance, crop insurance, reinsurance, insurance finance and the theme, "insurance management in a period of crisis", during the meetings, which both last four days, said Cheng Wanzhu, chairman of the fifth TWIC general meeting.

Cheng, vice-president of the People's Insurance Company of China, said at the opening ceremony that there were bright prospects for the development of national insurance in developing countries. He said that while relying mainly on domestic efforts, these countries also welcomed friendly co-operation with other foreign insurance companies in the fields of international reinsurance, information, personnel training and technology. The previous four sessions of TWIC were held in the Philippines, Argentina, Kenya and Morocco, and the past two meetings of the AISADC were held in the Philippines and Morocco. The two bodies will now meet every two years at the same venue.

BEIJING REVIEW ON U.S.-SOVIET ARMS RACE

OW241155 Beijing BEIJING REVIEW in English 23 Jun 86 p 10

[Commentary by news analyst Peng Di -- Arms Race Still on Grueling Course]

[Text] U.S.-Soviet relations over the past 6 months have been characterized by the usual arms race stalemate in arms reduction talks and regional contests. Despite worldwide pleas to curb the escalating arms race between the two superpowers, neither side is ready to relinquish superiority in the name of sensibility.

The U.S. government recently proposed a military budget of U.S.\$311.6 billion for fiscal year 1987, an increase of 8.2 percent over 1986. Its programme for the development of new strategic weapons includes turning out and deploying more MX missiles; stepping up research and production of miniature intercontinental missiles; building the 14th Trident submarine and advanced submarine-based missiles and conducting further research on "invisible" bombers capable of shunning radar pursuit.

Since Washington thinks the Soviet Union exceeds the United States in chemical weapons by a ratio of 10:1, it has resolved to resume its production, which was halted 17 years ago. Conventional weapons also will be renovated. And U.S. President Ronald Reagan's pet project the Strategic Defense Initiative (SDI) will absorb U.S.\$4.8 billion of the defense budget in 1987, compared with this year's U.S.\$2.7 billion.

Moscow does not intend to lag behind in its arms stockade. "With highly destructive SS-25S -- the fifth-generation of USSR-made intercontinental missiles in the process of deployment -- and the highly accurate SS-18S -- the fourth generation of intercontinental missiles near the end of deployment, the Soviet Union is working on SS-X-24 mobile intercontinental missiles which directing more efforts towards the production of SS-20 medium-range missiles and a new type of SU-27 aircraft. Moreover, thousands of Soviet scientists and engineers are occupied with the research of laser technology capable of missile interception.

The Kremlin has been more active on the issue of disarmament. It is quite outspoken in its call for arms control with a series of highly publicized arms reduction plans. The Soviets introduced in January a long-term programme for the elimination of nuclear arms in stages. Twice, in April and June, they put out proposals for the reduction of conventional weapons and forces in Europe. And they made repeated calls for a mutual end to nuclear testing.

Unable to compete with Moscow in this respect, the White House has been more reticent. It has, nonetheless, called for separating the issue of strategic weapons from medium-ranged ones, while urging for a link in the reduction of weapons in Europe and Asia, maintaining that the Soviet Union has the upper hand in Asia. It also feels that there is a real danger that the United States will be behind its rival in both offensive and strategic defensive weapons. Therefore, ignoring the Soviet calls for a halt to nuclear testing, the United States goes on.

Debate over regional issues between the two superpowers has grown intense.

In the name of anti-terrorism the United States launched a military attack upon Libya and posed threats against Syria as a warning signal to the Middle East.

Equally active in the region, the Soviet Union has provided weapons to some Arab countries, while increasing contact with the Gulf nations and promoting a reconciliation between different factions within the Palestine Liberation Organization. It also has called for an international conference on the Middle East in order to further its influence in the region and contend with the United States.

In Central America, apart from offering military aid to the contras in Nicaragua, the White House has also employed diplomatic means to pressure the ruling government to change course so as to restrict or diminish Soviet influence in the country.

Moscow has been concentrating on its economic problems at home while talking profusely about disarmament internationally. In regional rivalry, it continues to hold fast to its spheres of influence. Far from giving in, it is ready to expand wherever there is an opportunity.

Afghanistan is a case in point. Dissatisfied with mere military assaults on the resistance forces, the Soviets have replaced Karmal with Muhammad Najibullah as leader of the People's Democratic Party. They have also stepped up their pressure against Pakistan. As the United States has repeatedly claimed, the Soviet expedition in Afghanistan has been motivated by the rich Gulf oil fields to which Afghanistan is the pathway.

In southeast Asia, while offering continuous support to Vietnam's attempt to control Kampuchea, Moscow has turned down the 8-point peace proposal by the Coalition Government of Democratic Kampuchea. This has made it more obvious that the Soviet interest lies in expansion in the South Pacific area.

#### LIAOWANG ON U.S.-SOVIET DISPUTE OVER SALT II

HK250918 Beijing LIAOWANG in Chinese No 24, 16 Jun 86 p 5

[Special dispatch from Washington by LIAOWANG contributing reporter Shi Lujia: "Reagan's Decision Has Caused a Great Disturbance"]

[Text] U.S. President Ronald Reagan announced on 27 May that since the Soviet Union had frequently violated the Strategic Arms Limitation Treaty (SALT II), the United States would not be bound by the treaty later this year. The Soviet Union reacted strongly to this decision. Some West European NATO allies expressed opposition or had reservations. Consequently, a rigorous trial lay ahead for U.S.-Soviet relations and U.S.-European relations.

SALT II was signed by the late Soviet leader Leonid Brezhnev and former U.S. President Jimmy Carter in Vienna in 1979 after 8 years of negotiations. After the Soviet Union invaded Afghanistan, the U.S. Senate refused to ratify the treaty. Although the treaty was "fundamentally flawed" and not ratified, the position of the Reagan administration was that the United States would comply with it so long as the Soviet Union does so. The United States reiterated this position at the expiration of the treaty at the end of last year.



When making the new announcement, Reagan decided to replace two old nuclear submarines with a new Trident with nuclear warhead missile launchers so as to keep the United States within the limits of SALT II. He said that the policy would not be effected for the time being, and whether the United States would adhere to the treaty depended on Soviet behavior in the following months. He urged the Soviet Union to stop violations of the treaty, reduce the pace of its arms expansion, and show sincerity at the Geneva nuclear disarmament talks. If the Soviet Union takes these "constructive steps," Reagan said that he would reconsider the decision already made. Even though the treaty is abrogated, he said, provided the Soviet Union is willing to exercise "mutual restraint," the number of strategic nuclear weapons deployed by the United States in the future will not exceed that of the Soviet Union.

The reaction from the Soviet Union was stern. In a 28 May commentary, the Soviet news agency TASS denied any violation and said that Reagan's assertions were groundless. The commentary also charged the United States with harboring a scheme to ensure a unilateral military advantage and said that the Soviet Union would take necessary countermeasures to engage in arms expansion. A few days later, Moscow warned in a sharply worded statement that the Soviet Union would no longer be bound by the two SALT treaties and would take "necessary measures to prevent the strategic equilibrium from being damaged" once Reagan put his 27 May decision into effect. Soviet leaders also asked West European countries to persuade Reagan to reconsider his decision. During these days, Soviet officials emphasized time and again that the upcoming Soviet-U.S. summit would be jeopardized and there would be an "adverse influence" on the Geneva nuclear disarmament talks so long as Washington maintained its hard stand against SALT II.

Following the U.S.-Soviet Geneva summit in November last year, the relations between the two countries seemed relaxed. In the first half of this year, however, both sides engaged in fierce wrangling on a series of issues. Although the Geneva nuclear disarmament talks have reached the fifth round since their resumption in March last year, no substantial progress has been made so far. Both sides have insisted on their respective positions and blamed the other for having no sincerity. Moscow announced on several occasions that it would make sustained efforts to unilaterally halt its nuclear tests and asked Washington to undertake the commitment, and also proposed a summit held as quickly possible on the issue, but Washington refused the offer. The Soviet Union cancelled the meeting of foreign ministers of the two big powers to be held in Washington in May this year, and has not yet decided on a new date because it asserted that the U.S. attack on Libya was "deliberately aimed at intensifying Soviet-U.S. relations." Both the United States and the Soviet Union hope that the second summit can be held within the year, but no agreement has been reached because the positions of both sides are poles apart. Public opinion in the West holds that the new quarrel on SALT II provoked under such circumstances will undoubtedly impair the trend of relaxation and further intensify the relations between the two countries.

Proceeding from their own interests and security, the West European countries require U.S. nuclear protection, but also fear that the vigorous arms expansion of the United States will stimulate the Soviet Union to engage in a new round of the arms race, which could result in a threat to Europe. For this reason, they hope that the United States and the Soviet Union can reach an agreement on maintaining a relatively strategic equilibrium. Although the West European countries are not satisfied with the nuclear arms limitation treaties concluded between the two big powers over the past decade or so, they believe that the treaties concluded are better than nothing at all.



Owing to pressure from U.S. allies and differences within his administration, Reagan did not hastily abrogate SALT II, which he opposed repeatedly during the presidential elections. The fact that Reagan suddenly changed his position has shocked the West European countries. At the conference of NATO foreign ministers held recently in Canada, the foreign ministers of U.S. allies unanimously requested the United States to reconsider the decision. The British Government, which holds identical views with the United States on many international issues, also issued a statement expressing regret over the decision.

The West European countries also expressed dissatisfaction with the United States for not consulting them before making the decision. They pointed out: Despite opposition from the majority of its allies, the United States attacked Libya in April. Now the United States has again ignored their consistent position and has taken this drastic action that involves the relations between East and West as a whole. This shows how far the United States has gone in acting willfully, regardless of its allies. In connection with the recent disputes between the United States and Europe in trade and other issues, some U.S. newspapers fear that Europe will further fall away from the United States in the days to come.

In view of Soviet counterattacks and criticism from Western Europe, U.S. Government officials came out one after another to explain that Reagan's new position is aimed at urging both the Soviet Union and the United States to exercise "mutual restraint," thus reaching a new agreement on sharply reducing nuclear arms. They also reminded people to take note of Reagan's promise that the number of nuclear weapons deployed by the United States in the future will not exceed that of the Soviet Union. Nevertheless, it seems that these explanations cannot quell the great disturbance.

#### JINGJI RIBAO ON PRC AID TO THIRD WORLD

HK191426 Beijing JINGJI RIBAO in Chinese 9 Jun 86 p 2

[Article by Li Wanming of the Foreign Aid Bureau of the Ministry of Foreign Economic Relations and Trade: "China Creates a New Situation in Giving Economic and Technical Aid to Foreign Countries"]

[Text] During the Sixth 5-year Plan period, the amount of money gained from contracted projects in foreign countries and sending labor abroad increased at an average rate of 60 percent a year. In the plan period, China signed contracts worth \$483,000 [as published], of which, contracts worth \$2.4 billion or more were completed, and the grand total of workers sent abroad under labor contracts amounted to 170,000.

In the last 5 years, China has followed the principle of suiting the task to one's capacity in giving economic and technical aid to foreign countries and in developing relations with them. While continuing to give aid to existing recipient countries, China also established new relationships of economic aid with an additional 17 countries. Besides the existing construction projects, China also undertook 83 new economic aid projects. The construction of 174 projects has been completed. The projects covered many areas, such as agriculture, animal husbandry, fishery, light and textile industries, public and civil building industries, water resources and electric power, culture, education public health, broadcasting communications, communications and transportation, geological prospecting, chemical industry, grain processing, and handicraft art.

They included a project to harness the Gold River in Sri Lanka; the Morogora Provincial Agrotechnology Popularization Center in Tanzania; the Mai Re Er De [7796 3583 1422 1795] -- Being Jiao [1514 6037] Canal in Tunisia; the Pokhara Irrigation Project in Nepal; the Rui Dong [3843 3159] Textile Mill in Burma; a sugar refinery in Sierra Leone; the Bo La Shi [3134 2139 0087] Urea Fertilizer Plant in Bangladesh, the Mu Jie Lei [4476 2638 7191] Hydroelectric Station in Burundi; the well-drilling project in Koudougou Region, Burkina Faso; the People's Palace in the Congo; the Friendship Stadium in Senegal; The College of Political Science in Somalia; the Ka Song Guo [0595 2646 2654] Hospital in Guinea-Bissau; the Xie Ha Er [6200 0761 1422] -- Saihut Highway in Democratic Yeme; and the Mu La Lan Jia [2606 5198 5695 0502] -- and De La Nu Nan Bang Gu [2491 1795 2139 0505 0589 1620 0657] Highway in Madagascar. All these relatively large projects have been completed through many years of hard work.

In the last 5 years, China has sent about 30,000 people to carry out the task of giving economic and technical assistance to foreign countries. At the end of 1985, the number of people sent abroad to carry out the tasks totaled 6,448.

In accordance with the set agreements, China has dispatched group after group of medical teams, at different times, to prevent and cure diseases of people in Third World countries. At the end of 1985, more than 1,200 Chinese medical workers continued to work in 92 medical centers in 42 countries and regions.

In the last 5 years, the management system and forms of aid in China's foreign economic and technical aid work have been reformed and gratifying achievements scored in this regard.

1. A contract responsibility system has been comprehensively implemented in the management of economic aid projects. At home, public bidding or negotiated bidding has been introduced and, abroad, construction projects are undertaken at the prices set in the contracts. The projects put under the contract responsibility system have been expanded from the existing construction of civil engineering projects alone, to project investigation, design, overhaul, and technological cooperation. Contractors are asked to undertake all these tasks under a contract system. With the introduction of public bidding or negotiated bidding, not only can we select contractors using comprehensive assessment indices, such as construction period, building costs, technology, and managerial expertise, but we can also gain better economic results. The introduction of a contract responsibility system in managing economic aid projects is a good, effective method by which we can bring the enthusiasm of the contractors and personnel engaged in foreign-aid work into play, tighten control over projects, and quicken the construction pace of projects. The year 1985, when the contract responsibility system was introduced, witnessed the largest number of contracts signed and the largest amount of money earned from contracts. There were 92 contracts in all. Of these, prospecting and designing projects numbered 31, construction projects 23, overhaul projects 5, and technological cooperation and other projects 8. [figures as published]

2. By acting on the four principles of equality and mutual benefit, stress on practical results, diversity of forms, and common progress, which were put forward by Premier Zhao Ziyang, China has carried out economic and technological cooperation in many forms, thus opening up a new preliminary situation of mutual benefit and cooperation. Over the last few years, our cooperation in production and management with countries, such as Sierra Leone, Mali, Rwanda, Zambia, and Zaire, has made encouraging progress. For example, after Zambia's Mu Long Gu Xi [4476 7127 0657 1585] Textile Mill (with 25,000 spindles, 720 looms, and appropriate printing and dyeing equipment) was completed and transferred in 1983, the mill suffered losses in operation due to mismanagement. In 1984, at the invitation of the authorities concerned, Chinese specialists held the mill's important posts of general manager, chief accountant, and chief engineer. Since then, the situation in the mill has rapidly changed, production steadily increased, and the mill gained profits every month. According to statistics, by July 1985, within 2 years, apart from recovering an investment totaling 12 million kwachas on the Zambian side in building the mill, the mill had gained a profit of 3 million kwachas (1 kwacha is equal to approximately \$0.42). In Mali, a leather factory was on the brink of bankruptcy prior to the cooperation scheme but 3 months after the "cooperation in production," production began to take off and the factory netted a profit of nearly 200,000 yuan in renminbi in 6 months. A pharmaceutical factory incurred losses in operation prior to the cooperation scheme due to the overstocking of products. In 1984, China sent specialists by invitation, to take up the factory's important posts, such as general manager. Both sides "cooperated with each other in management." The factory gained a profit of 1.3 million yuan in renminbi within 12 months.

Practice has proved that it is possible for China to carry out multiforms of economic cooperation with numerous Third World countries on the basis of mutual benefit and the road toward this goal is wide. Through cooperation based on mutual benefit, both sides can achieve common progress. This will play a positive role in strengthening South-South cooperation and expediting our country's four modernizations program.

The year 1986 is the first year of the implementation of the Seventh 5-Year Plan for China's socialist economic construction. We will still adhere to the principle of suiting the task to one's capacity and continue to undertake 252 economic-aid projects for 67 recipient countries. They include 33 projects started from scratch, 65 continuation projects, and 155 preparation, winding-up, and technological cooperation projects. Forty projects are planned for completion in 1986.

During the Seventh 5-Year Plan period, by acting on the principles of "equality and mutual benefit, stress on practical results, diversity of forms, and common progress," we will further readjust the structure of foreign aid work, reform aid forms, tighten control over the work, continue to do a good job of the work, and strive to achieve better results in giving aid to foreign countries using our limited foreign aid funds. To promote friendship with the people of the Third World countries, we will create a new situation in our work in giving economic and technical aid to foreign countries and make due contributions in this regard.



ZHU QIZHEN MEETS U.S. VICE PRESIDENT

OW270706 Beijing XINHUA in English 0701 GMT 27 Jun 86

[Text] Washington, June 26 (XINHUA) -- U.S. Vice President George Bush met this morning with visiting Chinese Vice Foreign Minister Zhu Qizhen to discuss international and bilateral issues. Bush told the Chinese guest that the U.S. Government attaches great importance to Sino-American relations. He also expressed the determination of his government to abide by the three "joint communiques" signed between the two countries in 1972, 1979 and 1982. Bush expressed the conviction that no political wind in the years to come will affect the importance attached by the U.S. Government to the Sino-American relations. Invited by Michael Armacost, under secretary of state for political affairs, Zhu Qizhen arrived in Washington Tuesday for political consultations. During their talks yesterday, Zhu and Armacost exchanged views on bilateral issues as well as a number of international matters of mutual interest.

ULANHU MEETS U.S. CHILDREN'S DELEGATION

OW241405 Beijing XINHUA in English 1341 GMT 24 Jun 86

[Text] Beijing, June 24 (XINHUA) -- Chinese Vice-President Ulanhu met with a delegation known as Children as Teachers of Peace from the United States led by Dr. Gerald Jampolsky, here this afternoon. The delegation consists of 17 children aged from nine to 16. Ulanhu extended his welcome to them. He said, educating children to love peace and oppose war would lay a solid foundation for peace. He said the Chinese Government and children are working to safeguard peace and are against war. As the enemy of the human beings war can only bring poverty, starvation and damage to mankind, and especially women and children suffer the most in war, he noted.

The Chinese vice-president told the visitors, "During the Second World War, China had 50 million people killed, so we are fully aware that peace is hard-won and hope our later generations will live in a peaceful and happy environment for ever." Ulanhu said 1986 is the International Year of Peace and China has actively responded to the call of the United Nations by demobilizing a million soldiers. He wished people all over the world would work together to achieve world peace.

Later, the 17 children gathered around the vice-president and had a cordial chat. A nine-year-old girl said that when they grew up they would oppose war and safeguard peace. They also had a picture taken together. The delegation will leave Beijing for Shanghai tomorrow.

DENG YINGCHAO MEETS U.S. PROFESSOR 20 JUNE

OW201220 Beijing XINHUA in English 1025 GMT 20 Jun 86

[Text] Beijing, June 20 (XINHUA) -- Deng Yingchao, chairman of the National Committee of the Chinese People's Political Consultative Conference had a very cordial conversation here today with Yu-hsiu Ku, emeritus professor of the University of Pennsylvania of the United States, and his wife. Ku is former vice-minister of education of the Kuomintang government and president of the Central University and Jiaotong University. This is his fourth visit to China since 1973. He met many Chinese leaders on his previous trips, including the late Premier Zhou Enlai, the late Liao Chengzhi, and Deng Xiaoping. Ku came to China May 29 to attend the 90th anniversary of the founding of Jiaotong University and give lectures.



SOVIET ARMS PROPOSAL A NOTEWORTHY 'INTERIM AGREEMENT'

OW261017 Beijing XINHUA Domestic Service in Chinese 1456 GMT 24 Jun 86

[Text] Moscow, 24 Jun (XINHUA) -- News Analysis: A Noteworthy "Interim Agreement"

[By] XINHUA reporter Tang Xiushan

Because the Soviet-U.S. disarmament talks in Geneva had been at a standstill for a long time, the Soviet Union recently proposed an "interim agreement," which Soviet leader Gorbachev described as a new step taken by the Soviet Union to reach a mutually acceptable agreement at the Geneva talks. Initially the proposal differs from previous Soviet proposals in the following three noteworthy points:

First, the Soviet Union has changed its previous staunch position of diametrically opposing the United States' "Strategic Defense Initiative [SDI]", and began to recognize its existence and agree to a star wars program limited to laboratory research, that is, to a program limited to the level the United States has already reached. At the same time, the Soviet Union has proposed that both sides agree not to withdraw from the treaty limiting antiballistic guided missile defense systems for a period of at least 15 years. In view of the treaty's stipulation that both sides not set up nationwide antiballistic guided missile defense systems, the proposal actually demands that the United States not deploy space strike weapons for the next 15 years.

Second, prior to this proposal, the Soviet Union had proposed that both sides reduce their offensive strategic weapons by 50 percent during a period of between 5 to 8 years. Now, the Soviet Union has lowered its demand by proposing that both sides limit their offensive strategic weapons to equal ceilings. The so-called "equal ceilings" means having a flexible quota, and demands only "equal" limitation. It is said that the Soviet side has already proposed a 30-percent reduction, thus cutting the scale and slowing down the pace of the reduction.

Third, in the past, the Soviet Union emphasized that the reduction of offensive strategic weapons has "possibly only under the condition that both the Soviet and U.S. sides refuse to manufacture, test, and deploy space strike weapons." However, as far as the reduction of offensive strategic weapons is concerned, the "interim agreement" does not include the precondition of tying the reduction to space arms, and actually agrees that these two issues can be solved separately.

Judging from the "interim agreement," although the Soviet Union has somewhat changed its position and lowered its demands, the proposal for "equal ceilings" does not mean allowing the United States to gain extra advantage. In a nutshell, the Soviet Union absolutely does not allow the United States to gain military supremacy, and the Soviet stand of preventing the United States from getting a head start in deploying space weapons remains basically unchanged.

After the Soviet Union made the latest proposal at the Geneva talks, Reagan, who had consistently refused downright any Soviet proposal for disarmament, made a certain positive appraisal of the latest Soviet proposal in a recent speech at Glassboro. He said: This is a beginning of serious efforts by the Soviet side to reduce nuclear weapons, and may become a turning point in the Soviet-U.S. nuclear arms talks. What he appreciated was primarily the point that the Soviet Union no longer demanded that he gave up "SDI" and did not insist that abandoning space arms be a precondition for the reduction of strategic weapons. However, Reagan added, without amendments, the latest Soviet proposal would be unacceptable to the United States.

It seems that the United States has somewhat shifted its position. However, it is not an easy task to reach an accord because the disarmament talks, which are an extremely complicated issue, involve the vital interests of both sides.

#### GORBACHEV SEEKS ARMS TALKS PROGRESS BEFORE SUMMIT

OW251829 Beijing XINHUA in English 1755 GMT 25 Jun 86

[Text] Washington, June 25 (XINHUA) -- Soviet leader Mikhail Gorbachev still insists that a second summit meeting with U.S. President Ronald Reagan must be preceded by "concrete achievements" in arms control talks, THE NEW YORK TIMES reported today, quoting government officials.

The point was contained in Gorbachev's letter to Reagan presented on Monday by new Soviet Ambassador to Washington Yuri Dubinin, the officials said. According to these officials, Gorbachev told Regan that a meeting this year would make no sense without "concrete achievements" on nuclear arms control. He indicated that he would examine the progress in Geneva arms control talks as a basis for judging prospects for a second summit meeting.

A senior White House official told reporters Tuesday that Gorbachev discussed in the letter "the ways that we proceed toward a summit" but that "no specific dates were discussed for either a Shultz-Shevardnadze or a Reagan-Gorbachev meeting."

The letter was seen here as a Soviet effort to keep pressure on the United States to respond to the latest Soviet arms control proposal which essentially calls for limits on nuclear testing and a ban on the deployment of space-based missile defense systems in return for substantial reductions in offensive nuclear weapons. However, the officials described the tone of the letter as "positive" and "practical." They said that although the Soviet leader still seeks progress in arms talks before summit, he also carefully avoided making this a precondition for a meeting. "We are still optimistic about having a summit this year," White House Chief of Staff Donald Regan told National Broadcasting Corporation Tuesday. "The general secretary (Gorbachev) did agree in Geneva to come this year to the United States and we still think he will come," he said.

#### GORBACHEV ACCUSES WEST OF INTENSIFYING ARMS RACE

OW260046 Beijing XINHUA in English 0016 GMT 26 Jun 86

[Text] Moscow, June 25 (XINHUA) -- Soviet leader Mikhail Gorbachev today charged that certain groups in the West are trying their utmost to frustrate the Soviet Union's economic program by intensifying the arms race and worsening international relations. He said one of the obstacles to security in Europe and the world has been the lack of political will on the part of the West to pull the arms race out of the extremely dangerous and unpredictable whirlpool. Worse still, Gorbachev said, is that some influential circles in Washington are deliberately trying to drag the arms race into such a whirlpool.

Gorbachev made the accusation today when he met with Prime Minister Johannes Rao, of Federal Germany's north Rhine-Westphalia. Rao arrived Tuesday to open his state's trade and industrial exhibition in Moscow. The two men also discussed the possibilities of expanding economic relations between the two countries, but the Soviet media didn't give further details.

KOREAN-CHINESE SIDE CONDEMNS U.S.-ROK ACTS

OW261112 Beijing XINHUA in English 1100 GMT 26 Jun 86

[Text] Pyongyang, June 26 (XINHUA) -- A security officer of the Korean-Chinese side of the Korean Military Armistice Commission has strongly condemned U.S. and South Korean soldiers for violating the armistice agreement in the joint security area in Panmunjom.

According to the KOREAN CENTRAL NEWS AGENCY today, the condemnation was made at a meeting of security officers of the Korean Military Armistice Commission, which was proposed by the Korean-Chinese side.

The security officer of the Korean-Chinese side said that the U.S. side has often allowed extra persons, even with machineguns, to enter the joint security area. This is against the armistice agreement signed in 1953, he said. The officer was quoted as saying that the provocations to the Korean-Chinese side, which have amounted to more than 220 times since the beginning of 1986, "have increased the tension in the area."

DPRK AMBASSADOR TO PRC ON TRIPARTITE TALKS PROPOSAL

HK260903 Beijing RENMIN RIBAO in Chinese 25 Jun 86 p 4

[Dispatch by reporter Zhou Bizhong: "Korean Ambassador to China Gives Press Conference"]

[Text] Korean Ambassador to China Sin In-ha held a press conference on 24 June to mark the occasion of the "25 June-27 July Month of the Anti-U.S. Joint struggle."

Ambassador Sin In-ha pointed out that 33 years have elapsed since the conclusion of the Korean ceasefire agreement. In accordance with the principle of independent and peaceful reunification of the motherland put forward by President Kim Il-sung, the Korean party and government have made earnest and sincere efforts to turn ceasefire into peace consolidation and peacefully realize national reunification. Sin In-ha said that Korea's recent proposal on holding tripartite talks has enlisted support of the peace-loving people of all countries. Last year, Korea also proposed talks between the national assemblies of the North and South and initiated Red Cross and economic talks between the North and South. However, conversation between the North and South has been interrupted due to the tense situation aggravated by the United States and the South Korean authorities.

In order to ease the tense situation and the North-South military confrontation and create a peaceful atmosphere, Sin In-ha continued, the Supreme Headquarters of the Korean People's Army released a communique on 17 June proposing a tripartite conference held between the military authorities of North Korea, the United States, and South Korea, and handed over a letter on specific details of the proposal to the respective parties. Lastly, Sin In-ha called on the U.S. and South Korean authorities to respond sincerely to the proposal made by North Korea on holding tripartite talks and a conference of military authorities from the three sides.



ASEAN MINISTERIAL MEETING ISSUES COMMUNIQUE

HK261001 Beijing International Service in Tagalog 1130 GMT 25 Jun 86

[Text] In Manila, the 19th annual ministerial meeting of the Association of Southeast Asian Nations [ASEAN] ended yesterday afternoon. A joint communique was signed by the ASEAN foreign ministers reiterating support for the 8-point proposal of the Coalition Government of Democratic Kampuchea [CGDK]. At the same time, it called for the withdrawal of Vietnamese troops from Cambodia and self-determination for the Cambodian nation. The communique stated that ASEAN will continue its support for the struggle led by the CGDK against foreign aggression and occupation.

The Cambodian issue was the main topic of the 2-day meeting. Delegates to the meeting pointed out that Vietnamese occupation of Cambodia poses a threat to the peace and stability of Southeast Asia. [passage indistinct] The delegates condemned the intransigent attitude of Vietnam in rejecting the eight-point proposal and declared its support for the CGDK. They also expressed determination to seek a political settlement to the issue.

The delegates appealed for closer economic cooperation in the region and demanded that the developed countries dissolve protectionist policies. They also urged member-states of ASEAN to make new efforts to spur the region's economy. The six nations also signed two agreements on energy cooperation and on ASEAN petroleum security with the hope that these will help bring about closer cooperation in the field of energy for the region.

PRC-BURMA BORDER INSPECTION PROTOCOL SIGNED

BK250909 Beijing International Service in Burmese 1130 GMT 25 Jun 86

[Text] Chief representatives of the China-Burma Boundary Joint Inspection Committee signed a draft protocol on the first joint inspection of the China-Burma boundary in Rangoon yesterday. The formal protocol and the corresponding maps are to be signed later by the representatives of the two governments. The first joint inspection of the China-Burma boundary, which started in December 1984, has been completely successful and completed due to friendly and cooperative efforts by both sides.

GU MU HOLDS TALKS WITH LEADER OF THAI JOURNALISTS

OW251808 Beijing XINHUA in English 1604 GMT 25 Jun 86

[Text] Beijing, June 25 (XINHUA) -- State Councillor Gu Mu said here today that the Chinese Government is determined to help foreign businessmen who were the earliest to invest in China to run their joint-venture enterprises profitably. Gu made the remark at a meeting with Norrarat Tangpakorn, president of the Thai-Chinese Journalists' Welfare fund of Thailand, here this evening. The Thai visitor arrived here yesterday on a private visit as a guest of China's XINHUA NEWS AGENCY.

Tangpakorn is here to discuss with officials of the Shantou Special Economic Zone in Guangdong Province on the joint building of a ship called the "Longhu". Gu said the success of the venture would have a favorable impact abroad. He asked in detail about the ship, which is to ply between Hong Kong and Shantou. He noted that China had been closed to the outside for a long time, so it may make some deviations while carrying out the current open policy. "That is understandable", he said as he extended his welcome to Tangpakorn.



The latter said that Overseas Chinese have a great affection for their ancestral homes. He expressed his hope that Shantou would be successful in building up transportation, telecommunications and other infrastructure facilities.

Gu said China would build its special economic zones in a planned way, and the construction of the Shantou Special Economic Zone is very important in this respect.

Feted by Peng Chong

OW261422 Beijing XINHUA in English 1407 GMT 26 Jun 86

[Text] Beijing, June 26 (XINHUA) -- Peng Chong, vice-chairman of the National People's Congress Standing Committee, meet and feted Norrarat Tangpakorn (chan sai yin) [spelling as received], president of the Chinese Journalists Welfare Association of Thailand, here this evening. Peng gave a brief account of China's on-going economic reform and its open policy. He said the economic reform will surely develop in depth across the country including Shantou Prefecture, Mr. Chan's home town, which keeps wide contacts with Overseas Chinese. Peng also praised Chan for his contributions to friendly relations between peoples of the two countries.

Earlier today director of the office of Overseas Chinese Affairs under the State Council Liao Hui also met Chan on another occasion. The Thai visitor arrived here June 24 on a private visit as guest of China's XINHUA NEWS AGENCY.

#### XINHUA ON PHILIPPINE ECONOMIC RECOVERY EFFORTS

OW201149 Beijing XINHUA in English 0735 GMT 20 Jun 86

["Roundup: Aquino Government's Solutions to Economic Recovery (by Zhai Shuyao)" -- XINHUA headline]

[Text] Manila, June 20 (XINHUA) -- The new Philippine Government led by President Corazon Aquino has been charting new solutions and directions for the slackening economy of the country. The solutions have now appeared clear as the government's first four months approach an end. They are designed to remedy the serious economic crisis brought about by the Marcos regime -- negative growth rates for the past two years, huge external debt and massive unemployment.

As a major move to economic recovery, President Aquino has recently launched the "second revolution", the blueprint of which features priority given to the development of agriculture, an active participation by the private sector in the nation's economic activities, and the attraction of foreign capital. Then, a medium-term economic recovery program covering the rest of 1986 and 1987, approved by the cabinet, has defined its development strategy as "employment-oriented, rural-based development process that will lead to a better export performance." It emphasizes the development of agriculture, and the small and medium-scale industries, especially in the countryside.

Accordingly, the Ministry of Agriculture and Food has removed the previous biases against agriculture and taken a series of measures, such as reduction of export taxes on farm produce and sales taxes on chemical fertilizers, to boost agricultural production. Observers here hold that the rural-based strategy is necessary because two-thirds of the country's population of 55 million live in rural areas and are largely dependent on agriculture for their livelihood.

The second solution to the declining economy is privatization. According to the same program, government involvement in the economy "shall be kept to a minimum." The private sector shall be the engine of growth.

In its recent meeting, the cabinet has agreed to take steps towards the dismantling of the monopolies of sugar and coconut industries by former cronies of ousted President Marcos and to allow private sector to take charge. It has pointed out that any monopoly is anathema to the country's adherence to free enterprise. In yet another meeting, it has also agreed to sell its enormous non-performing assets to the private sector. These assets, estimated at around 2.3 billion U.S. dollars, are mostly inefficient and bankrupt firms formerly owned and mismanaged by Marcos cronies of monopoly capitalism.

There are also plans to sell to the private sector the sequestered assets of the Marcos family, their relatives and friends. It is estimated that they stashed away some five to ten billion U.S. dollars during the 20-year Marcos rule. Some 200 firms, worth about 400 million U.S. dollars, have been sequestered so far as of end-May.

The privatization of these assets has been described here as enhancing the active participation of the private sector, increasing their efficiency and thus enlivening the lethargic economy. It will also generate the much needed revenues. Through rural development and privatization, the government is trying to create a million jobs for 1986-87. Unemployment rate stands at 12 percent or 2.6 million workers out of a total workforce of 21.7 million.

The solutions have resulted in some good reactions: Agricultural output is expected to grow by 10 percent this crop year over last. Inflation rate, which averaged 50 percent in 1984 and 23 percent in 1985, has come down substantially to 3.3 percent for the first four months of 1986. Commodity prices have basically been stable.

Last but not least, the government is seeking new foreign capital and aids to alleviate the external debt amounting to 26.2 billion U.S. dollars. For this, it has to make an affirmative response to the preconditions which foreign lenders, led by the International Monetary Fund, have set for the Philippines. In its 1983 letter of intent to the Fund, the Philippines pledged to open the economy to market forces in exchange for a standby credit of 615 special drawing rights.

Meeting its foreign obligations, the cabinet has decided to lift restrictions on the import of some 400 commodities. It has also approved a package of tax reform measures designed to raise about 130 million U.S. dollar additional revenues to help make up the budgetary deficit running from 1.5 to 2.2 billion U.S. dollars.

There are fears among the business circles here that import liberalization might kill local industry and further aggravate the country's dependence on foreign-made products. But the government has hinted that it would increase protective tariffs.

Whether or not the solutions are effective will have to stand the test of time. And the Aquino government still has a long way to go to realize its goals of enhancing the sluggish economy. Noted Philippine economist Bernardo Villegas predicted that the government may have to lower its economic growth projection of 1.3 percent to zero for this year, but if the privatization and other reform measures should succeed, there would be a six to eight percent growth rate for the next three years.

INTERVIEW WITH PHILIPPINE VICE PRESIDENT LAUREL

HK230807 Beijing International Service in Tagalog 1130 GMT 20 Jun 86

[Text] Philippine Vice President and Foreign Minister Salvador Laurel and his entourage visited China from 15 to 18 June by invitation of the Chinese Government. Prior to his departure from Beijing, Radio Beijing conducted an interview with the vice president. Here is the interview:

[Interviewer] This is your third visit to China. What new changes can you see compared to your first two visits?

[Laurel] I noticed great changes when I arrived last Tuesday. First of all, I noticed that the people are better dressed today, and seem happier. There seems to be more freedom and more activities which they enjoy.

[Interviewer] What is the purpose of your visit and what are the expected results?

[Laurel] You must know what happened in our talks. First of all, I informed them of the actual situation in our country since the revolution where there was no fighting, no bloody violence. I confirmed that we are currently speeding up the process of the return to political stability. We are drafting a new constitution because the old one was rejected by the people, that is, the Marcos constitution and thus, we are changing it. Then, we will have an election as soon as possible, most likely before the end of the year. We will hold an election under the new constitution and we will have a new congress or parliament.

At the same time, we are trying to pacify different parts of the country where fighting used to take place. We are currently asking our people to end all fighting, to lay down arms, and to join in reconciliation and reconstruction efforts. We are striving to revive and rejuvenate our economy, which was devastated during the Marcos regime. We are trying to revitalize the economy so that our business establishments can be resurrected.

I explained this to our friends here in China. I spoke with Chairman Deng Xiaoping, Premier Zhao Ziyang, Vice President Ulanhu and your vice premier, foreign minister, finance minister and trade minister. The only one I was not able to meet was President Li Xiannian who is reportedly sick.

[Interviewer] What can you say about the prospects of Philippines-Chinese relations?

[Laurel] Based on our talks, which went very smoothly, I can say that relations between China and the Philippines will be further developed because we share the same views on many things, especially on cooperation. China is really behind us and helping us like a true friend.

[Interviewer] Thank you very much.

[Laurel] Thank you.



WU XUEQIAN FETES VISITING BENIN FOREIGN MINISTER

OW261711 Beijing XINHUA in English 1517 GMT 26 Jun 86

[Text] Beijing, June 26 (XINHUA) -- Chinese Foreign Minister Wu Xueqian gave a banquet in honor of Frederic Affo, minister of foreign affairs and cooperation of Benin, and his party here this evening at the Diaoyutai State Guesthouse.

In his toast, Wu spoke highly of the efforts of the government and people of the African country, led by President Ahmed Kerekou, in safeguarding national independence and state sovereignty, and their achievements in economic construction. Wu said the policy of nonalignment and good-neighborly relations pursued by the Beninese Government has played a positive role in both African and international affairs.

Referring to the African economic situation, Wu said, the African people are industrious and brave, and own rich natural resources, so there is no doubt that the African people can rely mainly on their own efforts while trying to win necessary international aid to develop their economy and improve their peoples' lives. He noted that the recent situation in the southern part of Africa has aroused serious concern worldwide. China is confident that the great struggle for national liberation of the people in the southern part of Africa is irresistible, and the complete independence and liberation of the whole African continent will surely be realized, Wu said.

Both China and Benin are developing countries, he said, and face the common task of building up the country and getting rid of backwardness. He expressed his hope that the friendly relations and cooperation between two countries would make consistent progress with the efforts by the two governments and peoples.

Affo praised the good relations and cooperation between the two countries, parties and governments. He said the coordinated development of various forms of cooperation between the two countries is because the two peoples love peace, justice, freedom and dignity.

He said the two countries hold identical views on major international economic and political issues, and always support the struggles of the oppressed peoples against imperialism, colonialism and all other kinds of domination. They also believe in solving conflicts by way of dialogue and consultation. In the economic field, the two countries actively support all efforts to develop South-South cooperation, Affo said.

Affo and his party arrived here at noon today as guests of Wu Xueqian. Wu and Affo held talks this afternoon. They exchanged views on bilateral friendly relations and international issues of common concern, and briefed each other on their respective countries' economic construction.

YE FEI MEETS MADAGASCAR CULTURAL DELEGATION

OW211450 Beijing XINHUA in English 1415 GMT 21 Jun 86

[Text] Beijing, June 21 (XINHUA) -- Ye Fei, vice chairman of the National People's Congress Standing Committee, met here today a culture delegation from the Madagascan Government headed by Minister of Revolutionary Culture and Art Gisele Rabesahala. The delegation, the first of its kind from Madagascar to China, arrived here June 19 at the invitation of the Chinese Ministry of Culture. It is scheduled to leave here for home tomorrow.

I. 27 Jun 86

C H I N A  
PRC NATIONAL AFFAIRS

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HU YAOBANG INSPECTS WORK DURING KUNMING STOPOVER

HK261414 Kunming Yunnan Provincial Service in Mandarin 1000 GMT 26 Jun 86

[Text] Hu Yaobang, general secretary of the CPC Central Committee, wound up his trip to four West European countries and returned home. After a short stay in Kunming, he left this morning for Beijing by a special plane. Li Peng, member of the Political Bureau of the CPC and Vice Premier, and Fei Xiaotong, vice chairman of the CPPCC, also left Kunming on the same plane.

Pu Chaozhu, secretary of the Yunnan Provincial CPC Committee, He Zhiqiang, deputy secretary and governor, and Deputy Secretaries Zhu Zhihui, Li Shuji, and Liu Shusheng; Ying Jun, secretary of the provincial Discipline Inspection Commission; Qi Shan, vice chairman of the provincial People's Congress Standing Committee; Liang Jia, chairman of the provincial CPPCC; Vice Governor Zhu Kui; Wang Xintian, secretary of Kunming City CPC Committee; Zhao Kun, political commissar of the provincial Military District; Xing Yongning, political commissar of a certain group army; and Liu Minghui, member of the Central Advisory Commission in Kunming, went to Kunming Airport to see Hu Yaobang off.

Yang Ming, chairman of the Yunnan committee of the China Democratic League, was present on the occasion.

Despite the tiring journey, General Secretary Hu Yaobang, accompanied by Comrade Pu Chaozhu, made an inspection tour of Yuxi Prefecture yesterday. At a meeting with the responsible comrades of the city and county levels of Yuxi Prefecture, Comrade Hu Yaobang listened to reports on how they led the people in increasing production and taking the road to prosperity. Hu Yaobang also gave important instructions on exploitation of natural resources and acceleration of the economic development. Hu Yaobang called on the cadres of Yuxi Prefecture to use their brains, offer better ideas and methods, work hard, and never slacken their efforts so as to develop the prefecture's economy in a steady and sustained manner.

Yesterday, Vice Premier Li Peng gave a report in Kunming to the responsible comrades of the provincial organs, some retired cadres, and responsible comrades of the PLA units garrisoned in Kunming. Accompanied by Zhu Zhihui and Yang Ning, Vice Chairman Fei Xiaotong made an inspection tour of Chenggong county.

HU QIAOMU ON EDUCATIONAL, ECONOMIC REFORM

HK270523 Beijing XINHUA Hong Kong Service in Chinese 1545 GMT 25 Jun 86

[Report: "Hu Qiaomu in Shanghai Talks About Reforms of Educational and Economic System"]

[Text] Shanghai, 25 Jun (XINHUA) -- Hu Qiaomu, member of the Political Bureau of the CPC Central Committee, recently addressed a forum attended by some teachers of the East China Teachers' University. He said that we should lead students to vividly discuss the theories of philosophy, economics, and other humanities of various Western schools.

He added: we should take positive measure to introduce, in an analytical manner, the contents of these schools to students. The task of teachers is to guide students correctly.

The main trend of present-day university students is good. The purpose of reforming political and theoretical courses is to let university students understand society, history, the world and the future through the teaching of the courses.

During his stay in Shanghai, Hu Qiaomu also visited Shanghai's No 12 cotton mill. A responsible person of the mill said that since the implementation of the responsibility system of the mill manager, the party, the administrative department, and the workers of the mill "pull together to play a game of chess and act in an opera well." Hu Qiaomu said: China is expanding the experiment in implementing the factory manager responsibility system year by year. This is a great reform in China's enterprise management system.

He added: The implementation of the factory manager responsibility system means that after consultation, a factory manager has the right to appoint middle-level and above cadres. This does not conflict with the principle of the party governing cadres. He stressed that a factory manager can also represent the party! The main issue is that the party, the administrative department, and the workers should coordinate their actions. A party committee should devote its main efforts to ideological and political work, and to the work of supervising and ensuring the successful accomplishment of tasks.

#### NPC STANDING COMMITTEE APPOINTS PROCURATORS

OW260831 Beijing XINHUA Domestic Service in Chinese 1205 GMT 25 Jun 86

[Text] Beijing, 25 Jun (XINHUA) -- List of appointments and removals by the Standing Committee of the National People's Congress

Approved by the Standing Committee of the 6th National People's Congress at its 16th meeting on 25 June 1986

1. Ji Yusuo [0370 3768 6956] is appointed procurator general of the Shaanxi Provincial People's Procuratorate.

2. He Fangba [0149 6078 2149] is appointed procurator general of the Beijing Municipal People's Procuratorate.

3. Zang Kun [5258 0981] is appointed procurator general of the Shandong Provincial People's Procuratorate.

Li Huimin is removed from his post as procurator general of the Shandong Provincial People's Procuratorate.

#### LAND MANAGEMENT LAW PROMULGATED 25 JUNE

OW261257 Beijing XINHUA Domestic Service in Chinese 2318 GMT 25 Jun 86

[Text] Beijing, 26 Jun (XINHUA) -- Presidential Order No 41 of the People's Republic of China

"The Land Management Law of the People's Republic of China" was adopted by the 16th Session of the 6th National People's Congress Standing Committee of the People's Republic of China on 25 June 1986. It is hereby promulgated and will be put in force on 1 January 1987.

Li Xiannian, President of the People's Republic of China 25 June 1986



OFFICIAL SAYS ALL NUCLEAR REACTORS 'WORKING WELL'

HK270521 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1302 GMT 26 Jun 86

[Text] Beijing, 26 Jun (ZHONGGUO XINWEN SHE) -- China has built more than 10 nuclear reactors and all are working well. This was disclosed by Jiang Shengjie, president of the Chinese Nuclear Society.

He said: Efforts are being made to step up the building of the Qinshan nuclear power plant in Zhejiang Province. The plant, located between Shanghai and Hangzhou, will supply electricity to the two cities and surrounding areas after its construction is complete.

At a banquet given by the society in honor of Hong Kong and Macao representatives to the third representative assembly of the Chinese Scientists Association, Jiang Shengjie said: To meet the needs of China's economic construction, nuclear industry and technology have been extensively turned to civil use and are playing an important role in machine building, electronics, and light industry.

Militarily, China has successfully used nuclear technology in production of A-bombs, H-bombs, and nuclear submarines and correspondingly completed a fairly comprehensive complex of nuclear research and nuclear industry. But compared with countries with advanced nuclear technology, he said, China still has a long way to go.

He hoped that scientific and technological circles and industrial circles of Hong Kong will work in cooperation with nuclear industrial circles of Mainland China in the technological, economic, and trade fields. He also said: The Hongyuan Company of the Ministry of Nuclear Industry in Hong Kong and the Shenzhen Industry and Trade Company of the China Atomic Energy Industrial Company in Shenzhen all expect to provide helpful service and cooperation to Hong Kong and Macao.

BIOGRAPHIES OF CPC REVOLUTIONARIES PUBLISHED

OW270232 Beijing XINHUA in English 0140 GMT 27 Jun 86

[Text] Xian, June 27 (XINHUA) -- The first 30 volumes of a series of biographies of noted revolutionary figures in the history of the Communist Party of China (CPC) have come off the press in time for the 65th anniversary of the CPC this year.

They contain 386 biographies which were compiled by a committee researching the lives of well-known figures in CPC history, and published by the Shaanxi People's Publishing House.

There will be altogether 50 volumes containing more than 500 biographies. They include major party leaders at different stages, revolutionary martyrs, and non-communist figures and foreign friends who backed the struggles of the CPC.

The first 30 volumes include the biographies of Li Dazhao, Dong Biwu, Lin Boqu, Peng Dehuai, He Long, Li Lisan, Soong Ching Ling and Dr. Norman Bethune.

This series represents the first attempt at a systematic account of the biographies of leading figures in CPC history, said an official of the publishing house.

THIRD VOLUME OF CHEN YUN'S SELECTED WORKS PUBLISHED

OW250444 Beijing XINHUA Domestic Service in Chinese 2302 GMT 13 Jun 86

[Text] Beijing, 14 Jun (XINHUA) -- The 3d volume of the "Selected Works of Chen Yun" (1956-1985) has been published by the People's Publishing House. It will be distributed by XINHUA bookstores in various parts of the country beginning 15 June.

The 3d volume was compiled by the research office of the CPC Central Committee Secretariat under the guidance of the Party Literature Editorial Committee of the CPC Central Committee as were the 1st and 2d volumes published in 1984 and later. The Party Literature Research Center took part in the examination, approval, and revision of the volume.

1962 Chen Yun Speech Published

HK250953 Beijing BAN YUE TAN in Chinese No 11, 10 Jun 86 pp 4-5

["Excerpt" of a speech made by Comrade Chen Yun on 8 February 1962 at a meeting of all cadres of Shaanxi Province attending the enlarged central work conference: "How We Can Understand More Correctly"]

[Text] Are there any methods which enable us to understand things more correctly? I suggest the following methods. Comrades may try and see whether they work or not.

Be comprehensive. We often take a one-sided approach to problems. For example, there is a cup on the table. People on that side of the table can see a cup with flowers but no handle, but people on this side of the table can see a cup with a handle but no flowers. People on both sides of the table can see only one face of the cup, not the whole picture of it. If they "exchange" what each has seen, they will know the cup better. We often say that we must seek truth from facts. In saying seek truth, we mean that we must gain a clear idea of the situation, and in talking of a realistic approach, we mean that we can work out correct policies on the basis of deepgoing research. For example, if we make an incorrect judgment of the enemy's situation in a war, we will certainly be defeated in battle. Moreover, if a doctor makes a wrong diagnosis of a patient's condition, he definitely cannot cure his illness and may even cause his death. So, how can we manage to find out the real situation? What we should do first is exchange views with other people often. In this way, one-sided views will gradually become comprehensive, vague ideas will become clear little by little, and divergent views will reach unanimity step by step. In dealing with a problem, if there are differences of opinion, what should we do? I think we may work on suppositions, look at the problem from different sides, even from the reverse side, and try to find out all possible conditions, and then we will be able to understand the problem in an all-round way. We commit errors just because we cannot observe objective laws in our work. However, those who make mistakes cannot be regarded as not acting according to facts at all, but they take their one-sided views as comprehensive ones. In formulating policies, leading organs should use at least 90 percent of the time to conduct investigation and study, and leave the rest of the time for discussions and making final decisions.

Let us make some comparisons. In looking into problems, formulating policies, and deciding on plans, we must compare different solutions. We must compare them with the present, the past, and the foreign. In doing so, we will gain a clearer idea of the situation and judge more accurately between right and wrong. Making comparisons repeatedly only does us good, not harm.

Thinking a lot about something. After making comparisons regarding a problem, we should not arrive at a decision right away but should turn the problem over in our minds again and again. In deciding on some problems, the decision may seem correct at the time, but it will be found to be incorrect or even absolutely wrong some time later. Therefore, we should not come to a decision in haste, but should have time to think a lot. It is better to think about it over a period of time and then make a decision. When working with Chairman Mao, I found he seldom decided on something right away. When we discussed problems with him, he used to say "hmm," but this did not mean that he consented to what we said.

#### HONGQI Publishes Introduction

HK250942 Beijing HONGQI in Chinese No 12, 16 Jun 86 pp 3, 11

[Article by the "Selected Works of Chen Yun" Editorial Group of the Research Center of the Secretariat of the CPC Central Committee: "Adhering to the Principle of Seeking Truth From Facts Is the Way to Success in All Undertakings -- Introducing the 'Selected Works of Chen Yun' -- capitalized passages published in boldface]

[Text] Volume 3 of the "Selected Works of Chen Yun" has been published throughout the country. Comrade Chen Yun's works have been published on the schedule. Focusing on Volume 3 and in connection with Volumes 1 and 2 published in 1984, this article will introduce the main contents of his works.

The three volumes of the "Selected Works of Chen Yun" cover the 60 years from July 1926 to September 1985. From the 157 articles published, readers may see in certain important fields the glorious and tortuous road taken by the Chinese people in revolutionary struggle and socialist construction under the leadership of our party and their experience of success and failure.

The revolutionary struggle and construction led by our party can be divided into two major periods: the period of new democratic revolution in the first 28 years and the period of socialist revolution and socialist construction in the last 37 years. The Zunyi conference was a turning point from failure to success in the first period, and the 3d Plenary Session of the 11th CPC Central Committee was a turning point in the second period. Of all the articles included in the three volumes of the "Selected Works of Chen Yun," 53 were written in the first period, among them 46 after the Zunyi conference; and 104 were written in the second period, among them 29 around the 3d Plenary Session of the 11th CPC Central Committee. As is known to all, all of Comrade Chen Yun's articles are permeated with the basic guiding thought of proceeding from reality and seeking truth from facts.

#### I

Our country is in a period of historical change. Over the past 7 years since the 3d Plenary Session of the 11th CPC Central Committee, due to the correct guiding thought of our party and the unleashing of the initiative of the masses, we have made unrivalled achievements in socialist construction and the reform of the socialist economic structure.

Just as the CPC Central Committee has repeatedly stressed, China must take a road of building socialism with Chinese characteristics. This means we must proceed from China's realities, conform to objective laws, and adhere to socialism.



On this issue, Comrade Chen Yun time and again stressed that we must first have a good understanding of the "facts" in the course of proceeding from China's realities and seeking truth from facts. China has a population of 1 billion, 80 percent of them in rural areas, and limited arable land, so feeding the population is a big problem. Meanwhile, China's industry, science, and technology are backward and their distribution is uneven. We must formulate strategies, tactics, policies, and plans for China's socialist construction by proceeding from this reality. This is to say that we need to spend a long time, make great efforts, and overcome many difficulties to build socialism.

According to the historical conditions of their times, Marx and Engels predicted that after the proletariat wins victory in revolution, capitalism will be transformed to communism after a transitional period. The revolutionary teachers of the proletariat made this predication on the theoretical assumption that capitalist society has formed a high degree of social productive forces. However, during the period from the Russian October Revolution to the victory of the Chinese revolution, all countries which took the socialist road, except for one or two countries, were underdeveloped or not so developed economically. The social productive forces in these countries were at a low level and their labor productivity was much lower than that in developed capitalist countries. As seen from the existing practical experience, a whole historical period will be needed to build socialism under backward economic conditions and to move to communism. Only by developing the social productive forces to a high degree in this historical period is it possible to fulfill the transition to communism.

In the historical period of socialism, social and economic development will go through several historical stages, from elementary to advanced stages. China's current social, economic, and cultural status indicates that China is still in an elementary stage of building socialism. We must consider this fact in carrying out construction and reforms.

The 12th National CPC Congress decided that from 1980 to the end of the century, China's total industrial and agricultural output value must be quadrupled and the living standard of the Chinese people must reach a better-off level. Over the past few years, Comrade Deng Xiaoping has repeatedly pointed out that from the 21st century, we will need 30 to 50 years to be close to the level of economically developed countries. We are convinced that the above target can be attained through our efforts. We would rather prepare for longer range targets in the whole historical period of socialism and the development process of all stages in the period. Of course, we must prepare for a slow process and strive for a fast one.

China has a poor material and technological foundation in its economy, a low level of social productive forces, and a large population, but our socialist system is advanced and the relations of production with socialist public ownership as its basis has many advantages. On this issue, we must also give play to our strong points, avoid weak points, and properly handle the contradictions between politics and the economy, between the relations of production and productive forces, and between the advanced and backward.

## II

In the early 1950's, after we completed the work of economic recovery, the CPC Central Committee put forth the general line for the transitional period calling for gradually fulfilling socialist industrialization of the state and socialist transformation of agriculture, the handicraft industry, and capitalist industry and commerce. In formulating China's First 5-Year Plan for developing the national economy, we defined "a relatively long period" set in the general line as about 15 years. As is known to all; we were eager for success in implementing the plan and to actually spend only 3 years fulfilling the socialist transformation and basically fulfilling the public ownership of the means of production. This caused many problems. In his speech at the 8th CPC National Congress in 1956, Comrade Chen Yun pointed out various defects in China's rapidly established socialist economic structure. Afterwards, by summing up the practical experience of the masses and the correct views of the comrades within the party, he gave many important opinions on what socialist economic structure China should establish and how to respond to the situation. In short, his opinions can be summarized as the following.

On the structure of ownership and economic operation, Comrade Chen Yun raised the view of three "main bodies" and three "supplements," namely, state-run economic operations and collective-run economic operations are the main body of industry and commerce, and a certain amount of individual economic operation is their supplement; planned production is the main body of industry and commerce, and a certain amount of individual economic operation is their supplement; planned production is the main body of industrial and agricultural production, and liberal production according to market changes within the limits of state plan is its supplement; state market is the main body, and free market within a certain scope under the leadership of the state is its supplement. This view of Comrade Chen Yun about planning as the dominant aspect and liberalism as the supplement; and concentration as the dominant aspect and deconcentration as the supplement was written into the resolution of the 8th CPC National Congress. We all know that due to the emergence and development of the "leftist" guiding thought afterwards, his view was abandoned for a period of time. The "communist wind" during the people's commune movement and "cutting capitalist tails" during the Cultural Revolution totally obscured the necessary demarcation lines in the stage of socialist construction and seriously dampened the enthusiasm of the laboring people. In the course of bringing order out of chaos after smashing the "gang of four," Comrade Chen Yun wrote in 1979 an outline entitled "Plan and Market," in which he, integrating the theory of Marxism and Leninism with China's practice, reexpounded the view that planned economy and market regulation must exist in the whole socialist period with planned economy as the dominant aspect. He criticized two unhealthy tendencies in planned management, namely, unnecessary strictness and unnecessary relaxation, and the outmoded view of ignoring the law of value. The market regulation to which he referred means developing production merely according to the changes in supply and demand in the market and without a plan, namely, blind regulation. Comrade Deng Xiaoping also said last year that integrating planned economy with market regulation can better liberate the productive forces and speed up economic development. The practice of China's economic structural reform over the past few years has proved that in the elementary stage of building socialism, with the foundation of public ownership, the state can master the economic liveliness concerning the life of the masses, allow the existence of individual economy, state capitalist economy, and other economic patterns, and use market regulation as a supplement to the planned economy. This is advantageous to the development of China's planned commodity economy.

As early as in 1957, in view of the defects and problems in China's economic management system, Comrade Chen Yun personally drafted regulations for the State Council on improving the management system of three important departments, namely, industrial, commercial, and financial departments. The contents of the three regulations and many important opinions given by Comrade Chen Yun at the 8th CPC National Congress and after 1977 on reforming the economic management system can be summarized as the following 10 points: 1) Under the unified state plan, give more administrative power to local governments and enterprises according to local conditions. Local authorities must be given a certain amount of floating funds within a limit, so as to ensure the funds needed for the state's priority projects. 2) After assigning some of the powers of central authorities to lower levels, it is necessary to balance the work of the whole country. 3) Change the previous purchasing and marketing relationship of industrial and commercial enterprises; that is, change the previous method of factories making products on orders from commercial departments to the method of factories buying raw materials and marketing their products by themselves. Except for the products related to people's daily life, in which a state monopoly of purchasing and marketing should continue, other products should be purchased selectively. 4) The production of the handicraft industry and the production of sideline products in agriculture should be carried out in a deconcentrated way, and it is necessary to overcome blindly concentrated production proceeding from a one-sided view. 5) Commerce must be operated in a deconcentrated way; the state must relax market control. Except for products in short supply, which must be distributed according to state plans, the assigned purchase method from the upper to the lower levels must be abandoned for other products, and the free purchase method from the lower to the upper levels must be introduced and small free markets for native products must be set up in rural areas. 6) The state's price policy must be advantageous to production. Prices must be stable, but we cannot simply adopt the method of "setting unified prices" or "freezing prices." It is necessary to pay serious attention to the prices of grain and economic crops and the comparison between the two prices, and to maintain a certain proportion between grain and economic crops and industrial products, so as to help develop agricultural production and improve people's livelihood. 7) Improve planned management methods of the state and reasonably reduce mandatory planning targets. Various economic regulation means must be adopted in carrying out mandatory planning targets and guidance targets. 8) While bringing into play the role of market regulation and enlivening the economy, it is necessary to avoid the trend of abandoning state plans. State plans are an important means to ensure proportionate and harmonious economic development. 9) It is necessary to bring into full play the regulatory role of economic levers, but the state may, if necessary, adopt administrative measures to intervene in economic affairs. 10) Using foreign funds and bringing in new technology is an important policy. Under the condition of relying on our own efforts, we must make full use of favorable international conditions, borrow some money from foreign countries which will not cause losses, and bring in advantageous technology to speed up socialist modernization.

Comrade Chen Yun repeatedly stressed that the economic structural reform we are carrying out is a reform of the socialist economic structure and a self-improvement and self-development of the socialist system. How are we to understand this viewpoint?



We believe that it can be understood in this way: The reform of the socialist economic structure should naturally be suited to the inherent nature of the socialist system. Therefore, it is necessary to first of all study and sum up the conditions and experience in China and continuously reform and improve the system which has been proved unsuitable to the development of the productive forces. On this premise, we must learn the successful experience of other countries, including that of capitalist countries, which we can use. However, in applying the successful experience of other countries, we must not copy them indiscriminately and uncritically, but must integrate them with China's reality and digest and absorb them, so that they can become our own experiences.

Comrade Chen Yun also pointed out that as the current economic structural reform involves many fields, most cadres are not familiar with it, and many unpredictable problems will arise in the course of the reform. Therefore, we must make explorations and sum up experiences while carrying out practice. He used a vivid expression of "crossing the river by touching the rocks" to describe it.

### III

As one of our party's principal leaders, Comrade Chen Yun has been in charge of economic work for a long time. But he was time and again labelled a "conservative rightist deviationist" after 1958. Practice has proved that he has always been a sober-minded and practical economist. In the several "leftist" waves, he always adhered to his scientific attitude and never gave up his practical views which had been formed after his thorough investigation and repeated pondering. This reflects the true qualities of a proletarian revolutionary who strictly upholds the principle of party spirit.

In his protracted leadership over economic work, Comrade Chen Yun put forth many suggestions which stood the test of practice and won the support of quite a few leading comrades. Most articles included in the "Selected Works of Chen Yun" are about economic work and have substantial contents. In addition to the above opinions on reform of the economic structure, many of his views on economic construction are familiar to the vast number of economic workers. We now make necessary explanations on that part of his views which is of practical guiding significance to the current work.

1. PROPORTIONATE DEVELOPMENT IS THE QUICKEST PACE. Comrade Chen Yun repeatedly said that proportionate economic activities and harmonious relationships will bring the fastest and best results. Although the economy can develop under the situation of partial imbalance and not affect the overall situation, it is impossible to achieve faster and better economic results. If there is a serious imbalance in most economic relationships, including that affecting the overall situation, the economy will retrogress and a crisis will arise. At the National Conference of Party Delegates held last year, Comrade Chen Yun once again pointed out: "In the final analysis, we must advance steadily in a planned and proportionate way. This is the fastest way. Otherwise, various troubles and runaway situations will arise. Setbacks will be unavoidable. The result is a slow progress. 'Haste makes waste.'"

Even a capitalist society requires that the economy develop in proportion. Once the main proportionate relationships are seriously imbalanced and break up, there will be a crisis and economic retrogression. What is different in a socialist country is that it can use the means of planning to swiftly and properly regulate economic activities and avoid a protracted and serious imbalance of proportionate relationships.

This is a possibility, not a fact. If we make mistakes or serious mistakes (the common mistakes are impetuosity, rashness, and excessively high targets), there will also be a crisis, or "setback" as people say. Therefore, in carrying out economic work, we must try to master the overall situation and find out problems, particularly the problem of several basic proportionate relationships. We must use the means of planned regulation, bring into play the role of various economic levers, and adopt various effective measures to harmonize all kinds of proportionate relationships. In general, we must not weaken planning work, but must meticulously improve and continuously strengthen planning work so as to ensure the healthy economic development. This is because ours is a planned commodity economy with socialist public ownership as its foundation, not a market economy which is totally regulated by the market.

Proportionate economic development also involves the correct handling of the relationship between priority projects and general projects. It is necessary to give prominence to some priority projects, but if we fail to pay attention to general projects, economic development cannot last long and priority projects will be a failure in the end. While giving prominence to priority projects, we must give consideration to general projects in a reasonable way. This is also a problem we must pay attention to from time to time.

2. REACHING AN OVERALL BALANCE IS THE BASIC WAY FOR BRINGING ABOUT PROPORTIONATE DEVELOPMENT. Comrade Chen Yun said that reaching a balance means proportionate development. If we fail to reach a balance, we cannot develop the economy in proportion. Overall balance includes the balance between all departments and parts in the national economy, as well as the balance within a department, an area, or a part. To guide economic activities throughout the country, we must first reach an overall balance. Their overall balance must be based on the balance in each part and must guide and restrict the balance in each part.

What are the main contents of the overall balance? In 1957, when talking about the problem that the size of construction must correspond to our national strength, Comrade Chen Yun spoke of the balance in three fields: the balance between financial income and expenditure, the balance between deposits and granting of credit loans, and the balance between the supply and demand of goods. Of the three balances, the most essential is the balance between the supply and demand of goods. The production and supply of consumer goods in daily life must be suited to social purchasing power. The production and supply of the means of production must be suited to industrial and agriculture production, circulation, and the size of fixed assets investment. These are the most important two balances in goods. Since we adopted the policy of opening up to the outside world, the balance of income and expenses in foreign exchange has become an important part of the overall balance. China has rapidly developed economic and cultural ties with other countries over the past few years, and the scale of the economic and cultural ties is becoming larger and larger. Paying attention to the balance of income and expenses in foreign exchange is an important issue.

While our country is still relatively poor, we must try to catch up with developed countries as soon as possible. For this reason, it is impossible for us to be well-off in all fields, and maintaining a balance under the circumstance of a shortage of goods is inevitable. Even if there is an ample supply of goods for a time, the situation may change, as China has a large population. Therefore, we must not be careless when we are well-off and have an ample supply of goods. Maintaining a delicate balance is unavoidable.

However, as Comrade Chen Yun has said repeatedly, we must not maintain a balance to such a tense degree as to break it. If so, simple reproduction cannot be guaranteed and the loss is too heavy. This situation appeared in the early 1960's. To avoid a balance to an excessively tense degree and the breakup of the balance, Comrade Chen Yun held that in maintaining an overall balance, we must maintain a balance according to the "short line," not the "long line." Of course, when weak points appear, we must do our best to improve the situation and to gradually harmonize the proportionate relationships. Using planning means and the method of overall balance to bring about proportionate economic development is an advantage of the socialist system.

3. WE MUST TAKE INTO CONSIDERATION BOTH ECONOMIC CONSTRUCTION AND PEOPLE'S LIVELIHOOD. This view stems from the characteristic that China has a large population and limited arable land, and Chinese people are poor, and it uses the historical experiences of China and other socialist countries for reference. In 1981, Comrade Chen Yun stressed: First, we must feed the 1 billion population; and second, we must carry out socialist construction. If we care for feeding only and eat up and use up everything, our country will be hopeless. While adequate food is ensured for people, the state must have remaining strength to carry out construction.

In economic activities, the relationship between construction and livelihood is reflected as the proportions of accumulated funds and consumer funds in the distribution of national income. The problem of controlling accumulation rate was first raised by Comrade Bo Yibo at the 8th CPC National Congress and was highly valued by all principal central leading comrades, who approved of an accumulation rate between 20 to 25 percent. Along with the subsequent development of the "leftist" guiding thought, the accumulation rate was often too high, exceeding 30 percent or even reaching 43 percent in some years. Facts have proved that the excessively high accumulation rate was due to the excessive targets for growth rate, the excessively large size of capital construction, and the excessively large scale of our construction. This cannot rapidly expand the ability to develop production, but will result in a serious imbalance in main fields, causing heavy losses.

The excessively large size of capital construction and the excessively large scale of construction is a "common disease." In the course of economic readjustment in the early years of the Sixth 5-Year Plan, we achieved initial results in curing this "common disease." However, in the last 2 years of the Sixth 5-Year Plan, the "common disease" once again emerged together with a "complication," namely, the failure to control consumer funds. As a result of our failure to control both accumulation and consumption, there were inevitably "deficits" in the distribution of national income. This was the main reason for the sharp price hike. The deficit in the distribution of national income is a matter concerning the overall situation which should not be ignored. In view of this, the CPC Central Committee and the State Council have adopted effective measures to deal with it and have achieved initial results. However, we must continue to carry out the measures so as to prevent the diseases from recurring.

4. WE MUST ADHERE TO TAKING AGRICULTURE AS THE FOUNDATION. This view, which was first raised by Comrade Mao Zedong, is also decided by China's real situation and corresponds with the basic tenets of Marxism-Leninism. In the 1950's, Comrade Chen Yun pointed out that agriculture is a problem concerning the food and clothing of the people of the whole country.



If economic construction is not based on this, it cannot be consolidated. The problem of agriculture is first of all the problem of grain. At that time, he put forth the thesis: "Stable grain output brings stability; shortage of grain results in a tight market." On the eve of the 3d Plenary Session of the 11th CPC Central Committee, in view of the serious damage to the agricultural production then, Comrade Chen Yun once again stressed that it was necessary to import some grain to ease peasants' burden. In this way, he hoped the peasants would feel relieved and resume and develop agricultural production. Regarding this problem, we suffered many setbacks, the main reason being that we had not found a way to give full play to peasants' initiative. Our economic structural reform over the past few years began in rural areas. In the course of the reform, we adopted many methods of developing agricultural production which were discovered by peasants in practice, and we instituted various responsibility systems with output linked to contract. All these plus the government move to greatly increase the prices of agricultural products have brought about rapid changes in China's rural areas and resulted in an economic boom throughout the country. However, some areas make mistakes in handling the relationships between agriculture and industry and between grain and economic crops. They put undue emphasis on the idea of "no industry, no wealth," and "no commerce, no brisk market," resulting in tendency to relax agricultural production, grain production in particular. In view of this, Comrade Chen Yun reminded us not to forget the truth of "no agriculture, no stability," and "no grain, no peaceful situation."

5. THE SCALE OF CONSTRUCTION MUST BE SUITED TO THE NATIONAL STRENGTH. At a central conference held in early 1957, Comrade Chen Yun pointed out: "The scale of our construction must be suited to the financial and material resources of our country, and whether they are suited or not is the demarcation line between a stable or unstable economy." In the speech, he also raised the view that it is easier to correct a conservative tendency than to correct a rash tendency; the view that financial income and expenditure and banking credit must be balanced with some surpluses; the view that in times of short supply of goods, it is necessary to first of all guarantee the production of daily necessities, then the production of the means of production, and finally capital construction; the view that the upgrading of people's purchasing power must be suited to the supply of consumer goods; and the view that the balance between the scale of capital construction and financial and material resources must be consistent and free from sudden rise and fall. In short, these views mean that we must carry out construction according to our own abilities. This guiding thought is applicable not only to capital construction, but also to all economic departments and to other departments in a certain sense. They are the guarantee of protracted, stable, and healthy development in economic and other causes. This thought was previously criticized and labelled as mechanical materialism which negates subjective initiative. But history has proved that it was not those criticized degenerating to mechanical materialism, but those criticizing others degenerating to the will for power doctrine.

In recent years, Comrade Chen Yun also said that we communists of course want to achieve faster and better results. The problem is whether we have the conditions to do so. Stressing conditions is not mechanical materialism, but dialectical materialism. If we have no conditions or our conditions are not ripe enough, we of course must do our best to create conditions and must not adopt a passive attitude. But creating conditions is also restricted by the material conditions at that time and our subjective ability.

In addition to the above five major problems, Comrade Chen Yun also gave many important opinions on the other fields of economic work. For example, he believed that in building new enterprises and tapping the potential of old enterprises and reforming and transforming old enterprises, the stress should be laid on the latter. Meanwhile, it is necessary to bring in new technology on the existing basis, by either filling in technological gaps or forming complete sets of equipment so as to march forward steadily. To digest and apply the new foreign technology, it is necessary to mainly rely on our existing technological forces, that is, millions of technological personnel and scientific research personnel trained by us since the founding of the PRC. Comrade Chen Yun stressed that properly carrying out commercial work and maintaining market prices is not only an economic problem, but also a political problem. He demanded that cadres, staff, and workers engaged in commercial work acquire a political viewpoint, a mass viewpoint, and a production viewpoint, and avoid and overcome exclusive concern about profession and the tendency of routinism. Due to the limited space of this article, we are not going to discuss this in detail. Discreet readers may find from Comrade Chen Yun's articles some things which are still useful today.

#### IV

Building a powerful party which is consolidated politically and organizationally is a task which all party members, leading party cadres in particular, must not ignore at any time. Without such a party which leads us in building socialism, our cause cannot advance and succeed.

When assuming the post of the organizational department director of the CPC Central Committee in Yanan, Comrade Chen Yun expounded in detail problems about the requirements of party members, party branches, the party's mass work, party discipline, the party's policy on cadres, and the study of theory. In volume 3 of the "Selected Works of Chen Yun," in view of the problems in the new historical period, Comrade Chen Yun put forth many important suggestions on the building of our party. The main content of his suggestions can be summarized into the following four areas:

1. IT IS NECESSARY TO GRASP IMPROVEMENT OF PARTY STYLE. Comrade Chen Yun was elected first secretary of the Central Discipline Inspection Commission at the 3d Plenary Session of the 11th CPC Central Committee. In January, at the first meeting of the commission, he pointed out that the basic task of the Central Discipline Inspection Commission was to safeguard party regulations and law and to straighten out party style. In November 1981, he raised the important view that the problem of the style of a ruling party is an issue concerning the life and death of the party, and called for improving party style permanently. The practice over the past few years has proved that this view of Comrade Chen Yun struck home. In January 1982, he and other Standing Committee members of the CPC Central Committee [zhong yang chang wei 0022 1135 1603 1201] called for hitting hard at serious economic crimes. In June of the same year, he said that in the course of straightening out party style, it is necessary to pay attention to the phenomena of ignoring principles and confusing right and wrong, to correct the trend of fearing problems, struggles, and offending others, and not to isolate those who uphold principles. He believed that only by first forming within the party a general mood of distinguishing right and wrong will the party be united and have combat strength.

Consequently, the general social mood will improve, healthy tendencies will rise, and unhealthy tendencies will disappear. At the 2d Plenary Session of the 12th CPC Central Committee held in October 1983, Comrade Chen Yun once again pointed out that since the party came to power throughout the country, the leadership power of central organs, grass-roots units, enterprises, institutions, and production teams have been in the hands of party members. Party members can use the various powers in their hands to seek private interests. Many of those who have committed corruption were party members or were protected by party members. If we fail to hit hard at those who seek private interests by taking advantage of their power and position, party style will be ruined and the party will become unpopular. At the national conference of party delegates in September 1985, Comrade Chen Yun also stressed that leading cadres at all levels, high-ranking leading cadres in particular, must pay serious attention to the prime issue of party style, and must set a good example in improving party style. Incumbent and retired high-ranking leading cadres must also set a good example in properly educating their sons and daughters. In his written speech at the Sixth Plenary Session of the Central Discipline Inspection Commission, Comrade Chen Yun further pointed out that if we turn a blind eye to the evil tendencies which undermine socialist construction and corrupt the party style and general social mood, and if we let the tendencies developed unchecked, it is necessary, in addition to punishing those individuals who do evil, to affix responsibility to the CPC committees and discipline inspection committees of the units and areas concerned. From the above exposition of Comrade Chen Yun, we realize that straightening out party style is a prime issue which can ensure the smooth progress of our economic construction and economic structural reform.

2. WE MUST ADHERE TO DEMOCRATIC CENTRALISM. Whether or not acting upon the principle of democratic centralism is a major indication of normal or abnormal political life within the party, we had bitter lessons regarding this problem in the past. One of the important reasons for the continuous development of the "leftist" guiding thought after the founding of the PRC was the abnormal inner-party political life and that Comrade Mao Zedong had the final say on major problems under the increasingly weakened collective leadership. Thus, the erroneous guiding thought was hard to correct and became more and more serious, leading to the "Cultural Revolution" in the end. Comrade Chen Yun profoundly pointed out that the lack of democratic centralism within the party and the abolishment of collective leadership within the party was the main reason for the appearance of the "Cultural Revolution." He repeatedly said that there must be both democracy and centralism in inner-party political life, and different opinions and disputes should be allowed within the party. This is not a bad thing, as we can be more prudent and make fewer mistakes. What we fear is not if people give wrong opinions, but if people keep silent within the party. If no one speaks at a meeting, it will not be a good thing. Party organizations must allow comrades to raise different views, for this is a good phenomenon indicating a boom in our party's cause. Leading comrades in charge of important work must especially be modest. They must constantly heed different opinions and listen to opinions from the opposite side. Otherwise, people will not speak out and tell the truth and will only speak lies and flattery. This is very harmful to the party's cause. Comrade Chen Yun also expressed the hope that middle aged and young cadres who have newly joined the leading groups will act upon the principle of democratic centralism.



3. WE MUST PAY SERIOUS ATTENTION TO TRAINING AND PROMOTING MIDDLE-AGED AND YOUNG CADRES. In accordance with Comrade Deng Xiaoping's views on earnestly selecting successors, in 1981, Comrade Chen Yun called for immediately training and promoting thousands upon thousands of middle-aged and young cadres so as to take over from veteran cadres and build a cadre contingent consisting of old, middle aged, and young cadres who can serve modernization construction. Both these men believe that this is a strategic task determining the task of our party and state.

Comrade Chen Yun has all along stressed that the requirement for promoting and employing cadres is that they must have both ability and political integrity, and that the stress must be laid on political integrity. In the new historical period, the party raises more strict requirements on cadres. Being loyal, being unselfish, upholding principles, observing discipline, working hard, being skillful in integrating theory with practice, maintaining close links with the masses, carrying out criticism and self criticism -- all these remain the basic requirements which all party cadres must meet. However, modernization construction demands that all cadres, particularly leading cadres at all levels who are in the first line, have a higher cultural level, better professional knowledge, and management experience, and be in the prime of life and energetic, which many veteran cadres lack. Different historical periods have different tasks. New tasks call for establishing a new cadre contingent, which is a demand raised by history. In his two articles, "Promoting and Cultivating Middle-Aged and Young Cadres Is an Immediate Concern" and "Promoting Thousands Upon Thousands of Middle-aged and Young Cadres," Comrade Chen Yun repeatedly expounded the necessity and urgency of this problem, arousing the attention of the whole party.

We have made remarkable achievements in cultivating and promoting a great number of middle-aged and young cadres over the past few years. A great number of veteran cadres and party members have voluntarily withdrawn to the second line or retired in the interest of the whole party. At the National Conference of Party Delegates held in 1985, central leaders made proper arrangements in regard to leaders at different echelons. This is undoubtedly of far-reaching significance to China's socialist modernization.

4. WE MUST FIRMLY GRASP THE BUILDING OF SPIRITUAL CIVILIZATION. This is an important matter which has a directly bearing on the improvement of party style and general social mood. Comrade Chen Yun and Comrade Deng Xiaoping, together with other central leading comrades, vigorously advocated building material and spiritual civilization simultaneously and combining and grasping the building of the two civilizations. Without good party style and general social mood, people will have no great ideals, no strong will, and no hard-working spirit, and the building of material civilization will be seriously disrupted, not be carried out smoothly as scheduled, and not be successful. Comrade Deng Xiaoping recently stressed that if we genuinely grasp the building of spiritual civilization, we will have hope. If we fail to firmly grasp the building of spiritual civilization, we will be hopeless. We all know that political and ideological damage caused to our party by the "Cultural Revolution" are more serious than organizational damage, for the "Cultural Revolution" are more serious than organizational damage, for the "Cultural Revolution" confused people's ideas and corrupted their style. Moreover, in the course of enlivening the domestic economy and opening up to the outside world, we relaxed ideological and political work for a time.

As a result, decadent bourgeois ideas and style broke through when we were off guard, and some abominable behavior of feudal society revived to corrode our party's body and corrupt our party style. Comrade Chen Yun seriously pointed out at a meeting: If we fail to build socialist spiritual civilization simultaneously, the building of material civilization will deviate from the correct path. Worse, it may even deviate from socialist and communist ideals, which is very dangerous. Comrade Deng Xiaoping also warned the whole party that China must build modernization, and must not carry out liberalism and take the road of Western capitalism. These are important opinions and instructions.

## V

Those who are familiar with Comrade Chen Yun and his works all strongly feel that Comrade Chen Yun is very practical in everything. He adheres to proceeding from reality in thinking over problems and making decisions. Comrade Chen Yun is one of those leaders who have all along upheld the principle of seeking truth from facts among the veteran proletarian revolutionary of our party. From Comrade Chen Yun's revolutionary practice over the past 60 years, we can see that it was precisely due to his adherence to seeking truth from facts that he made fewer mistakes and achieved relatively better results in fulfilling all complicated and arduous tasks assigned by the party.

Seeking truth from facts, which is an ideological principle the whole party must follow, is the most powerful weapon for transforming the objective world. Its basic characteristic is the correspondence between the subjective world of human beings with the objective world. To genuinely and thoroughly seek truth from facts, we must first understand the basic tenets of Marxism, and master correct standpoints, viewpoints, and methods to sum up both positive and negative experience in our work, so that our knowledge can move from partial to overall and from perceptual to rational, and so we can understand the essence and objective laws of things. We have also seen from historical experiences that to adhere to seeking truth from facts, we must also have a high degree of party spirit, set an objective of wholeheartedly serving the people, guard against arrogance after winning victories, be modest and prudent, be good at heeding the opinions from the masses, and carry out democratic centralism heart and soul. It is unimaginable that one who knows nothing about the theory of Marxism-Leninism, has no practical experiences, and lacks strong party spirit would adhere to principle of seeking truth from facts and transform the objective world successfully.

As early as the early 1940's, after following Comrade Mao Zedong in the study of Marxist philosophy and summing up experiences of the protracted revolutionary struggle in Yanan, Comrade Chen Yun put forth the view of "not following all instructions of the higher leadership, not copying books, and adhering to facts," which called for deep thought. "Blindly following instructions of higher leadership and copying books" was the cause for the third "leftist" line within the party during the second civil course. Of course, "not following instructions of higher leadership" does not mean that we can refuse to implement resolutions collectively made by the higher leadership, and not copying books" does not mean that we can refuse to read books of Marx and Lenin or even abandon the basic tenets of Marxism-Leninism. This should not be misunderstood.

At that time, Comrade Chen Yun used the words of "not following all instructions of higher leadership, not copying books, and adhering to facts" to express the dialectical materialist attitude which we communists must adopt. Afterwards, he himself adhered to the words in his work. In the 1950's, he summarized the way to know the truth as "completely, comparatively, and repeatedly." He reexplained and developed this idea after the serious setbacks of the "great leap forward" and the people's commune movement. He told us that we must not view problems in a lopsided way, but must view problems in an overall way so as to avoid onesidedness. While studying problems, formulating policies, decisions, and plans, we must make comparisons between the past and present and between China and other countries, and must not get into a corner. On some complicated problems, in addition to having a complete understanding and making comparisons in many fields, we must make decisions after turning the matter over again and again and must not make hasty decisions. The words "completely, comparatively, and repeatedly" are the essence of dialectical materialism.

After decades of practice, the above words of Comrade Chen Yun have been proved simple to understand and practicable. In knowing things, we always proceed from facts and take the road of practice-knowledge-practice again-knowledge again, strive to have complete knowledge, make more comparisons, and think over and over. Only thus can we gradually reach the truth. It is thus clearly seen that these words of Comrade Chen Yun are the unity of materialism and dialectics. Only by adopting a practical attitude and strictly adhering to dialectical materialist theory on knowledge and methodology can we truly seek truth from facts.

Comrade Chen Yun has said more than once that we must spend more than 90 percent of our time conducting investigations and research and less than 10 percent of our time making decisions. When considering an important problem, he often obtains basic information first and then holds various meetings to solicit opinions. In the course of investigation and research, he always pays special attention to opinions different from his ideas. If no different views are aired at meetings, he tries to guide people to consider the problem from the opposite side. After listening to various positive and negative opinions, he makes a comparison and turns the matter over in his mind again and again, and then makes a decision. When studying the three volumes of the works of Chen Yun, the foremost and essential thing is to learn his scientific attitude of seeking truth from facts and his way of thinking and working.

Comrade Chen Yun has personally examined and read all the volumes of the "Selected Works of Chen Yun." He requested that no alteration be made in compiling and selecting his articles so as to avoid unauthenticity and that even wrong parts should not be revised. He repeatedly said that every effort should be made not to magnify his merits in explaining and introducing his articles. We must attribute all our achievements first to the masses, then to the party, and finally to individuals. As for the mistakes we have made, we must have the courage to correct them and draw lessons. Comrades taking part in the editing of the book were deeply moved by this practical spirit and modest attitude of Comrade Chen Yun.

People may find in the three volumes that there are no articles written by Comrade Chen Yun in the 15 years from March 1962 to March 1977. This was the period in which his correct ideas were negated and criticized and he was basically deprived of his right to speak.



During this period, he upheld truth, strictly observed party discipline, refused to be contaminated by evil influences, and devoted himself to the exploration of truth. After the smashing of the "gang of four," he immediately dedicated his heart and efforts to the party's cause and put forth many valuable ideas and opinions on key and important issues. This noble character of maintaining a strong party spirit under a difficult situation is shared by many veteran proletarian revolutionaries. This character will pass from generation to generation and educate all communists.

#### FORUM ON PARTY RECTIFICATION HELD IN HUNAN

OW212031 Beijing XINHUA Domestic Service in Chinese 1050 GMT 20 Jun 86

[Excerpts] Changsha, 20 Jun (XINHUA) -- After sponsoring the two forums in Zhengzhou and Nanjing in mid- and late May on the work of party rectification in 10 provinces and 1 municipality in northern China and in the 5 provinces and 1 municipality along China's coast, the Central Party Rectification Guidance Commission sponsored another forum in Changsha in early June on the work of party rectification in the 7 provinces and autonomous regions in south China. The forum pointed out: The current party rectification is a new starting point for development party building in the new period and an important step in strictly running the party. After fulfilling their task in conducting party rectification at the township level, various provinces and autonomous regions in south China must begin to carry out party rectification at the village level on the basis of the local situation. At the same time, they must consolidate and develop their achievements in party rectification in various units at and above the county level and carry out their work well in party rectification from beginning to end. After party rectification, they must continue to strengthen party building and strictly run the party, to overcome negative factors, and to strengthen the party's militancy in order to ensure healthy developments in carrying out reforms and developing the economy.

Attending the forum were party committee secretaries in charge of party rectification in Hunan, Hubei, Jiangxi, Guangxi, Sichuan, Yunnan, and Guizhou.

The forum pointed out: Township enterprises are something new that have cropped up in the course of carrying out rural reforms. They are of great strategic significance in developing rural economy. In areas where economy is less developed, we must build township enterprises even more vigorously.

The forum also discussed issues regarding party building in the new period. It believed that we must pay full attention to rectifying party style, overcoming the negative factors in the party, and continuing to strengthen the party organizations either in the course of conducting party rectification or afterward.

At the same time, the Central party Rectification Guidance Commission also held a forum in Lanzhou on the work of party rectification in areas inhabited by people of minority nationalities and in remote areas. The Central Party Rectification Guidance Commission has now finished convening the four forums of party committee secretaries in charge of party rectification in various provinces, autonomous regions, and municipalities directly under the central authority. These forums on party rectification were held with central authority approval.

LU DONG ON INDUSTRIAL PRODUCTION, DEVELOPMENT

HK231241 Beijing JINGJI RIBAO in Chinese 2 Jun 86 p 2

[Article by Lu Dong, minister of State Economic Commission: "Persist in Carrying out Reforms, Advance to New Victories in Modernization" -- capitalized passages published in boldface]

[Text] The Sixth 5-Year Plan period was an important one for our industrial production after the 3d Plenary Session of the 11th CPC Central Committee decided to shift the focus of the work of the whole party to economic construction. Under the guidance of the policy of readjusting, restructuring, consolidating and improving the national economy and the policy of opening up to the outside world and enlivening the domestic economy, and through the effort of hundreds of millions of all state and collective workers and other employees, we have opened up the most prosperous situation in economic development since the founding of the People's Republic. Over the past 5 years, China's total industrial output value (including rural industries) has increased at an average annual growth rate of 12 percent. This rate is roughly the same as that of the First 5-Year Plan period, higher than that of the other plan periods and higher than that of many countries in the corresponding period.

The successful fulfillment of the Sixth 5-Year Plan is the result of the correct leadership of our party and of the efforts made by everyone in the country. In arranging economic work around the central task of bringing about better economic results, we have initially probed some work methods.

**ENHANCING THE QUALITY OF ENTERPRISES IN ORDER TO LAY A GOOD FOUNDATION.** By the end of 1985, nearly 50,000 state-run enterprises of industry, transport, commerce, land reclamation and the building industry which were listed in the state plan for enterprise consolidation were by and large checked and accepted by the government. This means that we successfully fulfilled the task of straightening out all existing enterprises before 1985. Through consolidation, the basis of enterprises has become more firm than before and their managerial systems in various aspects have been improved. In addition, the succession of the new to the old for their leading bodies has been completed; more than 80 percent of cadres appointed to these leading bodies are at the level of university or college education and most of them are in their forties.

**PERSISTING IN CARRYING OUT REFORMS SO AS TO INSTILL GREATER VITALITY INTO THE ENTERPRISE.** Over the past few years, we have conducted a series of experiments to look into how to invigorate enterprises. Generally speaking, they are: Proceeding from readjusting the distribution relationship between the state, the enterprises and the worker, we have extended decision-making power to enterprises in production and management; starting with invigorating collective enterprises and small state enterprises, we have also done so in large and medium-sized enterprises; beginning with introducing the economic responsibility system inside enterprises, we have also made efforts to improve external conditions for enterprises, combining overall reforms with enterprise management reforms.

**PROMOTING TECHNOLOGICAL ADVANCES TO TRANSFORM EXISTING ENTERPRISES.** Taking the replacement of products as the key, over the past few years we have linked up technological development, imports, and transformation and done all these at one go, not bit by bit as before.

In the past 5 years we have made an investment of over 140 billion yuan in technological transformation, with more than 200,000 projects transformed. Agreements for importing 3,000 technological projects in the last 3 years of the Sixth 5-Year Plan which were sanctioned by the State Council have been concluded; when we add the projects imported by local authorities and departments, the total comes to 14,000. Some of these projects have been completed and commissioned. Thanks to technological transformation, during the Sixth 5-Year Plan steel-producing capacity increased by 12 million tons, the extracting capacity of the coal which is supplied in a unified way by 36.4 million tons, the capacity of shipping coal from Shanxi Province to other provinces by 30 million tons, the handling capacity of berths grew by 13 million tons, and the capacity of saving energy is equivalent to 25 million tons of coal. Through technological development, import and transformation, the level of our country's industrial technology has been elevated to a new high.

#### STRENGTHENING CONTROL OF MACROECONOMIC ACTIVITIES AND IMPROVE COORDINATION

Over the past few years, local economic commissions have consistently paid equal attention to both economic growth rate and economic efficiency, both quantity and quality, and both production and circulation, and adopted a number of measures with the cooperation of the departments concerned. These measures mainly included the formulation and execution of annual plans, making energy production dovetail with transport, studying and coordinating the relationship between supply and demand, supporting and developing lateral economic ties by bank loans, readjusting the structure of production by combining war industry with its civil counterpart, expanding production of daily consumer goods and promoting exports, improving the quality of products, issuing production permits and strengthening supervision of the masses, encouraging the conservation and better use of energy by strengthening examination and public appraisal, adopting more measures for safety production and management of equipment, and encouraging enterprises to promote the growth rate of production and to increase tax delivery and profits simultaneously so as to improve the country's financial situation.

#### STRENGTHENING POLITICAL AND IDEOLOGICAL WORK AS WELL AS TECHNICAL TRAINING AMONG WORKERS AND OTHER EMPLOYEES

Over the past few years we have paid attention to political and ideological work among workers and other employees and carried out the education of "encouraging them to foster lofty ideals and moral integrity, to become educated and cultivate a strong sense of discipline" in coordination with other departments concerned. Meanwhile, all localities and departments also helped young workers, who account for two-thirds of the total of our country's workers, make up what they had missed in education and technical training, and had the director (or manager) of big and medium-sized enterprises trained through unified examinations. In addition to this, we have set up 92 institutes for training cadres engaged in economic management and 9 enterprise management training centres. These endeavours have greatly enhanced the political quality of vast numbers of cadres and workers as well as their educational level and technical competence.

The successes scored in the past 5 years are obvious. Nevertheless, we still face many problems in our work. When listening to work reports early this year, leading cadres of the CPC Central Committee Secretariat and the State Council called on us to build a socialist system of economic management with Chinese characteristics. There is still a long way to go to meet this requirement. Therefore, we must persist in reform and improve management through new explorations and repeated practice so as to satisfy the needs of economic development.



The Seventh 5-Year Plan covers a crucial period in which we must lay a good foundation for the revitalization of the economy in the 1990's. During this period, the total value of industrial output should increase by an average of 7.5 percent (or 7 percent if rural industries are included). This growth rate is slightly lower than that achieved during the Sixth 5-Year Plan, but still it will not be an easy job. During the next 5 years, we should create better conditions for the reform, lay a foundation for further economic development, and continue to raise the people's living standards through increased production. There are still various kinds of contradictions ahead of us. To deal with these contradictions, we must first and foremost greatly improve the economic performance of enterprises and enhance the capacity to earn foreign exchange through exports. At present, the key to the two problems lies in raising the quality of enterprises and fully tapping their huge potential. We must see that under the new situation of reform, opening up and invigoration, great changes have taken place both inside and outside enterprises. Enterprises are gradually freeing themselves from the fetters of traditional, old management patterns and are turning themselves into relatively independent economic entities having full management authority and full responsibility for their own profits and losses. With the change in the position and role of enterprises as well as in their technological level and production due to import of advanced foreign technology and technological transformation, we must adopt corresponding management methods and systems.

During the Sixth 5-Year Plan, the management of enterprises has somewhat improved through overall consolidation and initial reforms. However, the management level of enterprises as a whole in the country is still low. The major problems in this aspect are poor quality of products, high consumption of materials, and low economic efficiency. Such problems have resulted from the backwardness of both technology and management. Our comrades can clearly see the backwardness of our technology, but they fail to see the backwardness of our management. It is therefore necessary to call on vast numbers of our cadres and worker to work hard so as to raise our enterprise management to a new level.

According to the real state of our enterprises, what we should do in strengthening the work of enterprise management during the Seventh 5-Year Plan period is: First, we must complete the reform of the enterprise leadership system. By summing up experiences in experiment units, we must extensively introduce the system under which the director (or manager) assumes full responsibility. Second, we must perfect the economic responsibility system and strengthen political and ideological work. Third, we must pay equal attention to technology and management so as to continuously raise an enterprise's self-regulation ability. All trades should arrange manufacture of their major products in accordance with international standards and in 1990, the properties and quality of the greater part of their products should attain the level of those produced in the developed countries in the late 1970's or early 1980's. Over two-thirds of industrial output value and state revenue set in the Seventh 5-Year Plan should be achieved by our existing enterprises.

To achieve this, we must do three important things:

1. Raise the quality of products and lower consumption of materials.

Concretely speaking, a) we must gradually exert overall control over the quality of products in a planned way and link the quality index with the political honor and material gains of workers as well as with their monetary reward; b) the state will strengthen supervision over the quality of industrial products. A recent sample investigation of product quality has made a great impact on enterprises. This shows that this is an effective method; c) it is necessary to institute an effective system for energy saving; d) industrial enterprises will be encouraged and rewarded for low consumption of raw and semi-finished materials and energy and will be fined for excessive consumption; e) the work of choosing the advanced in improving the quality of products and saving energy through public appraisal will continue.

## 2. REFORMING THE LEADERSHIP SYSTEM OF ENTERPRISES AND MAKING LEADING BODIES RELATIVELY STABLE.

With the institution of the system in which directors assume full responsibility, there are more requirements for them than before. They must adopt an overall point of view and correctly handle the relationship of interests between the state, the enterprise, and the worker. They must have a long-term point of view and know to link immediate interests with the long-term interests. They must have correct guiding ideas for management, and good qualifications and professional competence. They must have a good grasp of production and management and know how to make good policy decisions. They must have good work style and know how to exploit the collective wisdom and unite with all the forces that can be united in work. They must handle matters impartially and take the lead in checking all kinds of unhealthy tendencies.

## 3. STRENGTHENING POLITICAL AND IDEOLOGICAL WORK AND PAYING ATTENTION TO THE BUILDING OF THE RANKS OF WORKERS AND OTHER EMPLOYEES.

At the National Conference of Party Delegates, quite a few of the central leading comrades stressed most the importance of strengthening the building of spiritual civilization and doing a good job of political and ideological work. With regard to this problem, we must do two things in earnest: First, we must strengthen political and ideological work. On the one hand, we must conduct thoroughgoing and painstaking ideological work and spark the great enthusiasm of workers and other employees with the lofty ideals of communism; on the other, we must correctly implement the party's policies, be concerned with the well-being of the masses, and promptly solve practical problems appearing in study, work and the lives of workers and other employees. Only by linking the two aspects will it be possible to fully exploit political and ideological work. Second, we must strengthen the building up of the party ideologically and organizationally. The views of the masses reflect that the exemplary vanguard role of the communists and the role of the party branch as a powerful fighting force have been becoming weak. We must take effective measures to strengthen them.

The Seventh 5-Year Plan covers an important period in which we are laying the foundation for achieving the grand goal of quadrupling the gross annual value of industrial and agricultural production and also an important period in which we are exploring and building a socialist economic structure with Chinese characteristics. The Seventh 5-Year Plan ratified by the Fourth Session of the Sixth NPC has drawn up a blueprint for our economic construction.

Under the leadership of the CPC Central Committee, we should go all out without delay to improve the work style of leading organs, go deep into the realities of life to serve the grass roots, and mobilize and rely on the people of the whole country to work together with one heart and to pool their wisdom and strength in the first year of the Seventh 5-Year Plan so as to advance to new victories in our four modernizations.

CHEN MUHUA ON BANK SUPPORT FOR FOREIGN TRADE

HK190915 Beijing GUOJI SHANGBAO in Chinese 29 May 86 p 1

[Report: "To Energetically Support Foreign Trade Is an Important Task of the Bank -- Chen Muhua Answers GUOJI SHANGBAO Reporters' Questions"]

[Text] Our reporters have recently interviewed Chen Muhua, state councillor and concurrently president of the Bank of China on the question of how banks should support foreign trade to expand import and export trade. Chen Muhua has answered some of the questions raised by our reporters.

Question: What do you think of the present situation concerning the import and export trade of our country?

Answer: The situation concerning our foreign trade in the first few months of this year is good and there has been a tendency of continued growth. The total foreign trade volume in the first quarter of this year increased by 13.9 percent as compared with that in the corresponding period of last year, accomplishing 22.5 percent of the annual plan. This increase surpassed the increase reached by us in the past. If this momentum can be maintained, there will be no problem in accomplishing our annual export plan. Because of the drop of oil prices on the international market and the readjustment of the purchasing prices of some of the commodities to be exported, our foreign trade now has a bigger demand for renminbi credit funds. As a result, there is great pressure on the work of the banks because when exporting the same amount of commodities, the banks need to provide more funds than before. When there is a shortage of funds in the various aspects of our economic construction, this appears to be a difficult task. However, our guiding ideology is clear, that is to give top priority to supporting the production and purchase of the commodities to be exported on the premise of exercising sufficient macroscopic financial control. We have been doing our work according to this guiding ideology. And in the future, we will continue to do our work according to this guiding ideology.

Question: What is the present situation concerning the bank funds which are used for supporting the export trade?

Answer: To support the reasonable need of funds for producing and purchasing the commodities to be exported has always been an important aspect of our banks' provision of credit funds. By the end of April of this year, the loans provided to the foreign-trade oriented enterprises had reached 56.2 billion yuan, accounting for over 20 percent of the total amount of commercial loans. Last year, when we tightened the money market and controlled the scope of credit, the bank loans to foreign trade still increased by 17.4 billion yuan, an increase of 32.8 percent, which far surpassed the increase rate of 22.1 percent for all bank loans. In the first 4 months of this year, the bank loans to foreign trade increased by 3.2 billion yuan whereas in the corresponding period of last year, the banks recovered one billion yuan of loans.



From this, we can see that the people's bank and other specialized banks have greatly supported the foreign trade loans with funds. And we can say that the banks have basically met the reasonable demand for funds needed to expand the import and export trade.

Question: Do the banks have any more plans to support foreign trade?

Answer: To develop foreign trade is the common task of the banks and the foreign trade department, so both sides should strengthen their cooperation and jointly promote our foreign trade. Besides supporting the production and purchase of the commodities to be exported with funds, the banks should also provide good services to foreign trade and strengthen credit supervision. At present, the banks' method for settling accounts and delivering funds is still relatively backward, and the speed of settling accounts is slow. All these things do not conform with the needs of the development of foreign trade. The Bank of China, which is responsible for all these, is now taking measures to improve its work, and trying to adopt electronic technology, strengthen voucher delivery, increase the speed of receiving remittance, improve the service quality and provide better services. While providing good services, banks should also strengthen credit supervision. To strengthen credit supervision is also a kind of service. Credit supervision consists of both the supervision of receiving remittance and the settling of the accounts concerning remittance, and credit restrictions on purchasing commodities at higher prices and purchasing the commodities that are overstocked or cannot be sold well so as to raise the management standard of foreign trade and increase the economic results of foreign trade.

As far as the foreign trade units are concerned, to make a good use of limited funds is also an important subject. All the foreign trade units should carry out research and improve their work. Last year, the value of the stored commodities in foreign trade increased by over 7 billion yuan. Because of the increase of the remittance with long-term collection periods in foreign trade, more funds for settling accounts have been used. However, the proportion of the funds used for settling accounts is too big now, with an overspending of several billion yuan. The foreign trade units should raise their management standard to improve this situation. First of all, the foreign trade units should purchase the commodities which are sold well and badly needed and the commodities which can create more foreign exchange, and try to reduce and stop the purchase of commodities whose qualities are poor and whose prices are high, and which cannot create foreign exchange. In the meantime, the foreign trade units should accelerate the circulation of funds, improve the efficiency of using funds and realize quick purchasing and quick selling so as to make the best use of the funds. I believe that through the cooperation of both sides, our country's foreign trade will certainly be promoted.

Question: How will the reform of the financial structure cooperate with the reform of the foreign trade structure?

Answer: The reform of the financial structure and the reform of the foreign trade structure are two important aspects of the reform of the economic structure. The two reforms are well under way at present. Though they have different emphasis, the two reforms are closely linked with each other. The activities of the funds of the foreign trade are concerned with the entire financial system, and the various specialized banks and insurance companies all have close links with the foreign trade. What is more, the various links of foreign trade have relations with the various organs of the financial system.

From developing the bases for foreign trade commodities to the production of the industrial and agricultural products to be exported to the supply and transport of the commodities to be exported, and from the purchase of the commodities to be exported, the foreign trade department has business relations not only with the Bank of China, but also with the People's Construction Bank, the Industrial and Commercial Bank of China, the Agricultural Bank of China and insurance companies. All these procedures cannot be accomplished by one financial institution and no procedures can be replaced by any other. Therefore, all the institutions of the financial system must actively cooperate with the reform of the foreign trade structure and the development of foreign trade business, actively support and provide services for foreign trade and do the work of supervision well under the unified leadership and management of the central bank.

#### BAN YUE TAN REVIEWS ECONOMIC SITUATION

HK260417 Beijing BAN YUE TAN in Chinese No 11, 10 Jun 86 pp 8-10

[Article by BAN YUE TAN Economic editorial office: "Economic Situation in the First 5 Months of This Year"]

[Text] During the first 5 months of this year, China's economic development continued to maintain its momentum of coordinated and stable growth. A personage in the economic field has described economic development of the first few months of this year as a summer scene of Xi Hu: "Lotus leaves linking up with the sky are luxuriantly green, whereas lotuses upon which the sun shines are particularly red."

Agriculture is the foundation of the national economy. On the basis of a good harvest last year, agricultural departments have rationally readjusted the acreage under grain, and changed the situation of continuous decrease of acreage over the past few years. This year's summer harvest of grain is expected to be good, except for two or three provinces. With regard to the work of purchasing grain based on contracts, the confirmed amount of grain purchase has accounted for 99 percent of the purchase quotas fixed by the state in the contracts. In most regions, grain purchase quotas have been assigned to peasant households. There is a more rational distribution of the new vital force of the rural commodity economy - 3 million specialized households throughout the country working in the fields of planting, industry, animal husbandry, catering trade, service trade, transportation, building construction, and so on. In the meantime, there is a new trend of joint operation by specialized households.

Industrial production is a main source of financial revenue of the state. During the first 4 months the growth rate of the total industrial output value was 4.2 percent higher than last year. Last year's growth rate was as high as 23.3 percent. Such a growth rate was not low. According to statistics issued monthly, there is a proper ratio between light and heavy industries, between processing industry and energy, communications and transportation, and between power production and industrial and agricultural production. All this shows that the present growth rate is normal.

Energy production is encouraging. In the past, the growth of electric energy production was always 50 percent lower than that of total industrial output value. However, the monthly growth rate of electric energy production has exceeded that of total industrial output value since the beginning of this year.

A buyers' market for coal has continued to occur in some localities. Coal mines under unified control by the state have continued to overfulfill their production quotas. The growth rate of some light industrial products is gratifying. Production output of watches, color television sets, recorders, cameras, electric fans and refrigerators was 10 to 60 percent higher than the same period last year. During the next sugarcane reaping season, production output of sugar is expected to exceed 5 million tons, 70 tons higher than last season, which was a record output since the founding of new China. During the first 4 months of this year, production output of beer was close to 1 million tons, an increase of 35.8 percent over same period last year. Production output of canned food, dairy products and other things also increased by a big margin. The output of pure cotton cloth, which had been unsalable over the past few years, increased considerably. Production output of silk, silk knit goods, woolen goods, wool, etc., went up by a larger margin. There was considerable growth in the production output of steel products, wood, cement and plate glass in the raw and processed materials industry, as well as generating facilities, precision machine tools, and other things in the machine building industry.

According to the instructions issued by the Central authorities, the growth of investment in capital construction has begun to slow down. The number of new capital construction projects was 1,228 less than the same period of last year. During the first 4 months of this year, the investment amount of capital construction projects by units under ownership by the people only increased by 1.3 billion yuan over same period of last year. The growth rate was under two figures. This rarely happened in recent years. It is precisely because of this that the progress of 190 key construction projects of the state has been accelerated. Conditions have existed in some departments in charge of communications and transportation, goods and materials, facility manufacturing and so on, and regions concerned to give the green light to these key construction projects.

A stable market and the increase of commodities kept in stock are other characteristics of this year's economic situation. During the first 5 months of this year, total retail turnover of social commodities of the whole country increased by about 10 percent over same period last year. Judging from the retail market situation in April and May, we know that the sale volume of vegetable oil, sugar, cigarettes, pork, eggs and other nonstaple food increased, and that the supply of these goods was better than previous years. Since the start of the free market in nonstaple food, the margin of increase of retail price index has gradually dropped month by month. In April and May, pork and fresh eggs sold well. There was a downward trend in their retail market price. In Hebei, Jiangsu, Shandong, Sichuan and other provinces where the supply was ample, the retail price of pork and fresh eggs was 10 to 20 fen per jin lower than the same period last year. In some regions, their price returned to the level before the start of the free market.

The reserve of products and commodities has also markedly increased since this year. Of 21 kinds of main goods and materials, the reserve of 16 kinds increased. There were only 5 kinds of goods and materials which had dropped in their reserve. Although there was a fairly large quantity of unsalable commodities, the supply of high quality and famous-brand commodities was still insufficient.



A new development has also been achieved in foreign trade. According to statistics, the export volume of the first 4 months of this year was 9.5 percent higher than same period of last year. The growth of imports was higher than that of exports. However, in import commodities, the increase in the means of production was higher than that of exports. However, in import commodities, the increase in the means of production was higher than that of the means of subsistence. The situation of incomes and expenditure in foreign exchange in various fields other than trading was also good.

Financial revenue increased and withdrawal of currency from circulation continue to improve. From January to April, financial revenue at home, based on comparative approach of calculation, increased by 7.1 percent over the same period of last year. Revenue far exceed expenditures. The amount of currency withdrawn from circulation increased by some 7 billion yuan or so over the same period last year. By the end of April, saving deposits of urban and rural residents reached 182.3 billion yuan, an increased of 20.1 billion yuan over early this year.

The overall economic situation in our country has been good since this year. However, some problems have occurred. The main problem is that in some regions, the development of industrial production is not even, and its economic results are not satisfactory. From January to April, profits and tax of industrial enterprises dropped. The profit tax they turned over to the state also decreased. Their material consumption and production costs have gone up, whereas their product quality has declined. They have suffered from more losses incurred in more fields. The main reasons for these problems are: in some localities, enterprises have slackened their efforts to grasp ideological and political work for the workers and staff members. Their sense of economic responsibility has been weakened. The implementation of the responsibility system of factory managers is not effective enough. The line of demarcation has not yet been clearly drawn in the process of overcoming unhealthy trends. Enterprises are short of circulating funds. At present, efforts are being made to solve these problems.

With the continuous improvement and implementation of measures for reform in cities, and sufficient progress in ideological and political work, we believe that our industrial production and economic situation will further develop in the months to come. According to an estimate made by some experts, the growth rate of total industrial output value of our country will be faster during the latter half of this year. The growth rate of the total industrial output value of the whole year will be as high as about 8 percent.

#### RENMIN RIBAO ON ENLIVENING COLLECTIVE ENTERPRISES

HK260425 Beijing RENMIN RIBAO in Chinese 23 Jun 86 p 1

[Text] The third national workers' congress of light industrial collective enterprises opened in Beijing yesterday. This is a grand gathering of China's light industrial collective enterprises, and we wish it success.

The light industrial collective enterprises have been developing on the basis of the cooperative transformation of China's handicraft industry. Under the influence of the "leftist" guiding thought, the collective economy of light industry developed slowly for a long time. Since the 3d Plenum of the 11th CPC Central Committee, after bringing order out of chaos, we have gradually corrected some wrong ideas on collective economy.

"The decision of the CPC Central Committee on reform of the economic structure" further stated: "The collective economy is an important component of the socialist economy, and we can give the collectives a free hand in running enterprises in many areas of production and construction." The party's policy of carrying out reforms and enlivening the economy has vigorously promoted the development of the light industrial collective economy.

Adhering to reform is the only way to develop the light industrial economy. Over the past few years, the CPC Central Committee and the State Council have formulated and issued a series of policies on supporting and developing collective economy, but these policies have been implemented to different extents in different areas. Some comrades still harbor confused ideas on the nature, characteristics, position, and role of collective economy, and treat developing collective economy as an expedient. Some areas and departments even went so far as to violate policies, transfer resources without compensation, and appropriate property of collective enterprises. They wilfully encroached upon the decision-making power that enterprises should have in business operation, thus seriously dampening the enthusiasm of staff, workers, and cadres of collective enterprises. The only way to enliven light industrial collective economy is to adhere to reform and to earnestly implement the relevant policies of the CPC Central Committee and the State Council.

An important content of the reform of light industrial collective enterprises during the Seventh 5-Year Plan is to run enterprises in strict accordance with the nature and characteristics of collective economy. Over the past few years, the light industrial collective enterprises have learned the experiences of the rural responsibility system with contract linked to output, and more than 80 percent of them have instituted various contract responsibility systems. In the future, we must gradually and closely integrate this reform with the reforms in other aspects of the enterprise management system and factory manager responsibility system, and make it a system. We must strengthen democratic management, adhere to the principle of distribution according to one's work, and gradually carry out pricing reform to change the previous phenomenon of restrictions on the expansion of varieties and the upgrading of the quality of small commodities due to the excessively strict price control system. It is necessary to continue the measures and methods of reform that have been proven effective in practice. Powers that should be assigned to collective enterprises must be assigned to them, and must not be recovered under any excuse. We must correctly handle the relationship between the state exercising macroeconomic control and giving free hand to and enlivening enterprises, and correctly handle various complicated relationships in the switch from the old to the new system to ensure the healthy development of the reform of collective enterprises.

Historical experience has proved that only by adopting policies of encouragement, support, and protection can light industrial collective economy develop in a healthy way. If we adopt the policies of discrimination, restriction, and suppression, light industrial collective economy would suffer setbacks.

At present, most collective enterprises have a weak economic foundation, lack funds and talented people, have poor technological equipment, are deficient in raw materials, and shoulder heavy social burdens, so they are unable to transform and develop themselves. To tap potentials of light industrial collective enterprises, it is necessary to rely on a series of policies and all areas and departments must assist them in various fields. Only thus can light industrial collective economy develop in a steady, continuous, and coordinated way during the Seventh 5-Year Plan period.

#### Enterprise Growth Urged

OW230752 Beijing XINHUA in English 0544 GMT 23 Jun 86

[Text] Beijing, June 23 (XINHUA) -- Democratic management is of paramount importance for vigorous growth of light industrial collective businesses, an editorial of the WORKERS' DAILY stated today.

"Collective enterprises are independent economic organizations in which laborers jointly own the means of production, work together and receive remuneration according to work," explained the editorial marking the third national congress in light industrial collective enterprise employees which opened here Sunday. "This makes it absolutely necessary for collective businesses to be democratically managed and ensure that employees can act as masters of their enterprises," it pointed out.

According to the paper, 7.45 million employees in such enterprises provide daily necessities and small merchandises for domestic and foreign markets. Under China's Constitution, collective businesses practice democratic management and their employees have the right to elect and recall management staff and make major decisions on management and operations. The editorial called for improving the system of the workers congresses to strengthen democratic management and ensure the employees' democratic rights. "The congress should meet regularly to discuss and take decisions on the growth of enterprises and the workers' interests," it said.

The congress is a body and authority in collective businesses, rather than a consultancy or a supervisory organization, the editorial explained. Once elected by the congress, business executives have responsibility for production and management. "But directors must report on work to the congress regularly and solicit employees' opinions," it said, adding that the congress has the right to recall directors who prove unqualified.

Meanwhile, a commentator's article in today's PEOPLE'S DAILY called for aid to collective businesses and their protection to ensure sustained, balanced and stable growth in the next five years.

#### PROVINCIAL LEADERS VIEW OBSTACLES TO LATERAL TIES

HK260653 XIAN XIBEI XINXI BAO in Chinese 16 Jun 86 p 1

[Article by Shaanxi Provincial External Economic and Technical Cooperation Commission: "Some Provincial CPC Committee Secretaries and Governors Point Out That There Are Great Obstacles to Lateral Ties"]

[Text] Liaoning Provincial CPC Committee Secretary Guan Shuren recently pointed out that a major problem currently affecting and hampering the development of lateral ties is that the leaders of certain areas, departments, and enterprises have still not fundamentally solved the question of their understanding of the significance of this work.



This is mainly shown in the following ways: 1) Some enterprises leaders, accustomed to a closed-style of "large and complete" or "small and complete" production, always feel that it is better that one should have something oneself rather than that others should have it; they enthusiastically engage in forming their own system, and avoid seeking help from others in any circumstances. 2) Some people only stress microeconomic results instead of all-round economic results. Enterprises with good sales outlets are afraid that if they forge ties the number of their competitors will increase. Some large enterprises fear that medium and small enterprises joining in ties will fly away still unfledged, so they are wary and leave room for maneuver in forging ties. 3) Some enterprise leaders lack strategic vision and regard ties as just an expediency; they view the organization of ties as something of little account and are unwilling to work hard at it. 4) Enterprises vie with each other for the "leading position" in forging ties; if I am the dominant factor in the tie-up, then I work positively; if others are the "leaders" and I am just in a "supporting role," then I have no interest. 5) Some areas and departments, accustomed to old management methods, only allow the enterprises to forge ties within their own area or department; they are afraid that ties spanning different areas, departments, and trades will result in taking the enterprises away, while their own powers are diminished and their own interests are uncared for. They are therefore unenthusiastic about such ties and even erect obstacles and interfere with them.

Guizhuo Provincial Governor Wang Chaowen said that the idea of small production remains a major obstacle to developing lateral ties as far as remote and backward areas are concerned. Judging by the present reports from the enterprises, 1) There is fear of loss of "one's own forces," of an offspring factory "flying away," and of running at a loss; there is also fear of losing one's own brand name. 2) Certain enterprises that manage to get by are content with a "comfortably well-off" standard, and slowly get on with production behind closed doors, instead of diffusing it among small enterprises and township enterprises, since they have lingering love for the "large but complete" or "small but complete" pattern. 3) Certain areas with rich resources only think of asking the higher authorities for money instead of teaming up with other units to exploit these resources.

Hunan Provincial Governor Xiong Qingquan said that when lateral ties are mentioned, everyone raises his hand in assent, but the moment real ties are forged, certain people come out to interfere, raise awkward questions, and erect obstacles. This shock wave hits our own heads at all levels and in all departments. This means that the resistance to lateral ties maybe coming from our own departments in charge and ourselves, not from elsewhere.

#### JIEFANGJUN BAO REPORTS DEEDS OF NUCLEAR SCIENTIST

OW241113 Beijing Domestic Service in Mandarin 2130 GMT 23 Jun 86

[Text] The 24 June JIEFANGJUN BAO published a report, as the leading article on the front page, on the advanced deeds of Deng Jiaxian, one of the pioneers and founders of China's nuclear arms development program, whom people describe as the father of the atomic and hydrogen bombs. In the past 2 decades and more, Deng Jiaxian made important contributions to the development of China's nuclear weapons.

In order to carry forward Deng's revolutionary spirit of seeking neither fame nor wealth, working hard and disregarding his own safety, the Ministry of Nuclear Industry recently called on the vast number of scientific and technological cadres to learn from him. Earlier, Deng Xiaoping, chairman of the Central Military Commission, signed an order and appointed Deng Jiaxian vice chairman of the Science and Technology Committee under the Commission of Science, Technology and Industry for National Defense.

Deng Jiaxian returned to China to start new China's nuclear physics research work in the early years of the People's Republic, soon after he received his Ph.D. degree in physics in the United States. In a situation in which the Soviet Union unilaterally tore up contracts and agreements, and there were neither data nor research facilities, Deng Jiaxian led a group of new college graduates in a research project. They made a major theoretical breakthrough on the atomic bomb, and completed a theoretic design for an atomic bomb in as little as 6 months.

China's successful development of the atomic and hydrogen bombs was amazingly fast, thanks to the foresight, sagacity, and leadership of Deng Jiaxian and other scientific research organizers. Deng Jiaxian set three research orientations based on his knowledge of nuclear science, thereby accelerating China's development of nuclear weapons. He used modern management methods, formulated strict rules and regulations, paid attention to arousing enthusiasm, relied on collective wisdom, and thus made important academic progress.

Deng Jiaxian has been engaged in China's development of nuclear weapons for more than 20 years. He personally took part in, and made final conclusions on, research and exploration of many important theoretic questions and wrote many plans, but never claimed authorship. He often told young comrades: you must be ideologically prepared to seek neither fame nor wealth before you come here, but your work must attain the world's advanced level.

He once concealed his identity and worked his heart out for the motherland's national defense science and technology. His willingness to remain an unknown hero was in the national interest. A contingent of scientists and technicians capable of passing the stiffest test has been formed under the influence of his lofty moral character and leadership.

#### YANG SHANGKUN, QIN JIWEI AT PHOTO EXHIBITION

OW192249 Beijing XINHUA Domestic Service in Chinese 1338 GMT 19 Jun 86

[Excerpts] Beijing, 19 Jun (XINHUA) -- More than 100 photographs on military subjects taken by Wang Jianmin, a young photographer, were put on display in the Chinese Art Gallery in Beijing today. The photographs show the progress of PLA's revolutionization, modernization, and regularization.

Central Military Commission Vice Chairman Yang Shangkun and Beijing Military Region Commander Qin Jiwei cut the ribbon for the photo exhibition which is entitled "The Most Lovely Persons of Our Time." Responsible persons of the departments concerned Shi Shaohua, Wu Yinxian, and Guo Chaoren attended the opening ceremony.

FUJIAN: CHEN GUANGYI ATTENDS PARTY RECTIFICATION MEETING

OW241331 Fuzhou FUJIAN RIBAO in Chinese 15 Jun 86 p 1

[Excerpts] A meeting of the provincial CPC Committee's Standing Committee on 13 June called for promoting rural reform and economic development in carrying out party rectification, and for tightening party discipline and strengthening the building of party organs at the grass-roots level with the increasing efforts to open up to the outside world and enliven the domestic economy.

Chen Guangyi, secretary of the provincial CPC Committee, presided, and Zhang Yumin, member of the provincial CPC Committee's Standing Committee and deputy head of the provincial CPC Committee's group for guiding party rectification, reported on the guidelines of the seminar on party rectification, convened by the Central Commission for Guiding Party Rectification in Nanjing, and on the implementation of those guidelines.

The meeting noted that, with smooth progress and sound development, Fujian has achieved considerable success in party rectification. Under the encouraging situation in rural party rectification, the province should fully and realistically affirm its achievements in party rectification. However, it should also notice that unbalanced development in various places has given rise to many problems. Party committees at all levels should retain their composure, continue to increase their leadership over party rectification, and offer appropriate guidance. Without relaxing in the least, they should pay close attention to doing a good job in carrying out the latter stage of rural party rectification, make more thorough efforts, and achieve greater results.

The meeting stressed the need to take a clear-cut and specific approach to upholding the guiding ideology of promoting and protecting rural reform and economic development in launching rural party rectification.

The meeting emphasized persistent efforts to conduct positive education in the course of party rectification, in order to make the party members ideologically more conscious; improve their understanding of the party's fundamental goals; strengthen their concepts of party spirit; dispel mercenary ideas; induce them to achieve prosperity through hard work, proper conduct, and law abidance; and remind them of the need to serve the people, though themselves prosperous, by leading the masses to achieve common prosperity and by playing an exemplary vanguard role in developing a commodity economy.

The meeting underscored the needs to tighten party discipline and strengthen the building of party organs with the increasing efforts to open up to the outside world and enliven the domestic economy, to remove the phenomenon of noncontrol among parties at various levels, and to give impetus to the development of material and spiritual civilizations by persevering in building the two civilizations simultaneously.

The meeting asked the provincial party rectification office to send people to investigate party rectification and its problems in coastal and hilly rural areas; to study the problems in rural party rectification and the measures and ideas to solve them; and to convene a postmortem meeting to transmit and implement the guidelines of the seminar on party rectification held by the Central Commission for Guiding Party Rectification and for arranging the next phase in rural party rectification.



FUJIAN FOREIGN ECONOMIC RELATIONS, TRADE DISCUSSED

HK250529 Beijing XINHUA Hong Kong Service in Chinese 1414 GMT 23 Jun 86

[Text] Hong Kong, 23 Jun (XINHUA) -- Zhang Liang, vice chairman of the Fujian Provincial Committee for Foreign Economic Relations and Trade, said today: Fujian's exports to Hong Kong account for more than 30 percent of the province's total export value and its imports of Hong Kong products and transit goods account for one-third of the province's total import value.

At the invitation of the Hong Kong Trade Development Council, Zhang Liang will preside over a symposium on Fujian's foreign economic relations and trade. He said that in Hong Kong there are over 700,000 compatriots of Fujian origin, who have played an important role in making investments in their native place. Since the implementation of the policy of opening up, some 70 percent of the foreign capital (not including loans) attracted by Fujian Province has come from Hong Kong.

In discussing the prospects for economic cooperation between Fujian Province and Hong Kong, Zhang Liang said: Hong Kong's production technology in electronics, plastics, light industry, and packaging is of great practical significance to Fujian. At the forthcoming symposium the province will make public 31 imported technological equipment and cooperative production projects, in which it hopes to further strengthen cooperation with Hong Kong industrial and commercial circles.

Zhang Liang pointed out: Fujian's economic, trade, and technological cooperation and exchange with foreign countries have been very flourishing. Over the past few years, it has approved the establishment of 699 Chinese-foreign joint ventures and cooperative enterprises and foreign-owned enterprises. Of this total, 368 enterprises have started business or gone into production. In line with the state development plan, Fujian has initially developed a multilevel, multiform, and multifunctional framework for opening up to the outside world, which includes the Xiamen Special Economic Zone, the open city of Fuzhou, the Mawei Economic and Technological Development Zone, and the Xiamen-Zhangzhou-Quanzhou triangular open economic zone in southern Fujian.

Fujian Province has economic and trade exchanges with over 120 countries and regions. Its total import and export volume was \$1,090 million in 1985, a 440 percent increase over that of 1978 or an average annual increase of 27.2 percent. Of this, the import volume was \$600 million and the export volume was \$490 million, an increase of 4,710 percent and 160 percent respectively.

Jointly sponsored by the Hong Kong Trade Development Council, the Fujian branch of the China Council for the Promotion of International Trade, and Fujian enterprises Company Limited, the symposium will be held in Hong Kong on 25 June. On that occasion, 300 people from Hong Kong industrial and commercial circles will be present.

JIANGSU: MAJOR DEVELOPMENT PLAN APPROVED FOR SUZHOU

OW260358 Beijing XINHUA in English 0153 GMT 26 Jun 86

[Text] Nanjing, June 26 (XINHUA) -- The central government has approved a big development plan for Suzhou -- often referred to as the "Venice of the East" -- which stresses the importance of preserving its ancient character.

The city is famed for its many waterways, traditional gardens and ancient buildings. It has a history of 2,500 years, and is now a big tourist attraction. A local official said that under the development blueprint, small towns would be developed around Suzhou to divert the influx of rural labor and prevent overcrowding, and service trades would be expanded. Construction of new factories and the expansion of existing ones in the city proper would be moved out. The blueprint stressed environmental protection and tree-planting. The official said new residential areas, to be built with the help of modern technology, would be designed to blend in with the city's ancient architecture.

#### YELLOW SEA OIL DRILLING STARTS OFF SHANDONG

OW261421 Beijing XINHUA in English 1401 GMT 26 Jun 86

[Text] Shanghai, June 26 (XINHUA) -- Sino-foreign oil companies began to sink the first well in the northern part of the Yellow Sea today. The Zhucheng 1-2-1 exploratory well is located in a 45-meter-deep area 160 km east of Qingdao, one of China's open coastal cities in Shandong Province. It is being sunk by the China National Offshore Oil Corporation, Britain's Cluff Oil PLC, and Norway's State Oil Company. A contract for the project was signed by the Chinese and British companies in October 1983, a Chinese oil official said. The British company completed seismic prospecting in a 1,350 kilometer area in 1984. Altogether, five exploratory wells sunk in the southern part of the Yellow Sea have discovered petroleum gas with a small amount of crude oil. The drilling is expected to last three months and will be done by the Chinese side.

#### SHANGHAI: RUI XINGWEN ADDRESSES PARTY WORKERS FORUM

OW250914 Shanghai City Service in Mandarin 0000 GMT 24 Jun 86

[Text] According to JIEFANG RIBAO, at a grass-roots level party workers forum sponsored by the editorial department of SHANGHAI ZHIBU SHENGHUO [LIFE OF SHANGHAI PARTY BRANCHES] in commemoration of the 65th anniversary of the founding of the CPC on the afternoon of 23 June, Rui Xingwen, secretary of the Shanghai Municipal CPC Committee, said: Party members and party organizations at all levels in Shanghai Municipality should become models of reform and vanguards of the four modernizations. Comrade Rui Xingwen said: As we approach the 65th birthday of the CPC, on behalf of the Shanghai Municipal CPC Committee, I wish to extend my most cordial greetings and heartfelt thanks to all party members and all grass-roots party organizations in this municipality.

Comrade Rui Xingwen pointed out: The urban economic structural reform going on in our country is, in fact, a profound revolution. Ready answers to many questions arising in reform may not necessarily be found in books. Only we party members of the contemporary era can solve these questions in a creative way by following the basic principles of Marxism and proceeding from actual conditions. There are no ready-made models for implementing reform. We must all have the courage to blaze new trails. It is permissible to commit errors while making reform, but it is not permissible to refrain from reform. The CPC Central Committee and the State Council are pinning great hopes on Shanghai; so are the people throughout the country. While blazing new trails, all our party organizations and all party members in Shanghai must have courage and work out more measures. To support, spur on, and actively participate in reform is the best way to commemorate our party's birthday.

ZHEJIANG'S WANG FANG STRESSES EXPORT PRODUCTION

OW251018 Hangzhou Zhejiang Provincial Service in Mandarin 0900 GMT 24 Jun 86

[Text] Accompanied by (Wang Xingfa), director of the Zhejiang Provincial Bureau of Rural Enterprises, Provincial Party Committee Secretary Wang Fang, Governor Xue Ju, and other provincial leaders, with great interest and zest, visited the first provincial exhibition of export commodities produced by village and town enterprises yesterday afternoon. They made some valuable suggestions on the future development of production for export by rural enterprises and on what goals should be pursued.

After asking Comrade (Wang Xingfa) how well rural enterprises were doing in earning foreign exchange by selling products overseas, Comrade Wang Fang said cheerfully: Village and town enterprises are an important force in earning foreign exchange through exports. After several years of efforts you should be able to raise the competitiveness of your export commodities and expand your share of the international market to earn more foreign exchange for the state.

Talking about his impressions of the exhibition, Comrade Xue Ju said: In manufacturing export commodities, village and town enterprises should pay attention to developing traditional handicraft products garments, silk fabrics, and materials, but the raw materials for them are available locally. If their quality is improved, these products will be quite competitive on the international market.

Comrade Xue Ju said: We should also strive to find overseas markets for our industrial products. We should give full play to the superiority of rural enterprises in manpower and effectively make use of this by mainly manufacturing standardized parts and accessories of machinery and electrical equipment. We should avoid rashly undertaking the manufacture of whole sets of machinery. Comrade Xu Ju also called for efforts to improve garment designs and food products packaging and preservation.



GUANGXI CONCLUDES RURAL PARTY RECTIFICATION CONFERENCE

HK260323 Nanning Guangxi Regional Service in Mandarin 1000 GMT 25 Jun 86

[Excerpts] A regional party rectification work conference has stressed that in rural party rectification it is essential to grasp the focal points, clearly understand the guiding ideas, persevere in conducting education by positive example, strengthen leadership, and fulfill the rectification task on time and up to the mark in quality. It is also necessary to consolidate the fruits of party rectification. Rural party rectification should spur and ensure the development of rural economy and the smooth progress of reform. This is a fundamental guiding idea that must be implemented throughout this rural party rectification.

The focal points in rural party rectification are to rectify and build the township and village leadership groups, and solve certain serious abuses of power and violations of law and discipline by township and village party-member cadres and other outstanding problems. In dealing with ordinary problems involving ordinary party members and with problems left over from past political movements, we should enhance ideological understanding by educating by positive example and learning from experiences and lessons.

The region's rural party rectification work should be basically completed by February 1987. Certain units should complete the work by the busy spring farming season in April. In order to ensure the fulfillment of the task on time and up to the mark in quality, it is essential to concentrate the leadership forces. We must make all-round arrangements and make full use of the slack farming season for party rectification, to ensure that both rectification and production can proceed smoothly. We must also focus on solving the main problems.

We must draw strict policy demarcation lines, seriously correct unhealthy trends, and promote the development of the township enterprises. The necessary expenditures of township enterprises on business activities cannot be regarded as unhealthy trends. Mistakes in work must be strictly distinguished from unhealthy trends. We must be sure to protect people's enthusiasm for reform.

The conference was held in Nanning on 23 and 24 June. Ou Jiwen, a member of the regional CPC Committee's party rectification leadership group, convened the spirit of the party rectification work conference of six southern provinces and one autonomous region convened by the Central Commission for Guiding Party Rectification. Regional CPC Committee Secretary Chen Huiguang and Deputy Secretary Jin Baosheng made speeches.

GUANGDONG: XIE FEI SPEAKS ON RURAL CULTURE

HK260357 Guangzhou Guangdong Provincial Service in Mandarin 0300 GMT 26 Jun 86

[Text] This morning, Guangdong Provincial CPC Committee Secretary Xie Fei made a report at the provincial rural mass culture work conference on the role of 4-way cultural centers as important bases in building the two civilizations in the rural areas. He proposed that all parts of the province actively popularize the experiences in developing such centers, which combine the functions of spreading knowledge of science and technology, providing economic information, launching cultural and sports activities, and conducting ideological education.

Xie Fei said in his report that this type of cultural center developed in rural Guangdong represents a valuable new experience. It has opened up a new way for conducting rural cultural and ideological work in the new historical period, and is of far-reaching significance for promoting the building of the two civilizations in the rural areas. Hence, the leaders at all levels, especially the comrades engaged in rural work, must profoundly understand the changing rural scene, accurately keep their finger on the pulse of the peasants' thinking, and actively satisfy the masses' needs to get rich and to improve their cultural life.

ARTICLE DESCRIBES GUANGDONG'S DAYA BAY NUCLEAR PLANT

HK250640 Beijing GONGREN RIBAO in Chinese 20 Jun 86 p 2

[Article by Wang Wenhua: "A Milestone Erected on Daya Bay -- Information on China's First Large Nuclear Power Station"]

[Text] Guangdong nuclear power station, China's first large nuclear power station, is under construction at Daya Bay which is located on the South China Sea Coast. A few days ago, guided by engineers and technical workers from the Guangdong Nuclear Joint Venture Company, this reporter drove by car from the city of Shenzhen and covered a distance of about 70 kilometers before eventually arriving at the nuclear power station construction site -- Malingjiao. He had brought with him questions raised by his interested readers.

The location is surrounded by mountains and stands by the sea. The former mountain top, with an elevation of 67 meters, has now been leveled off and moved to the sea. Now a scene of well-ground, smooth and broad "new continent" has presented itself before us. In the middle of the construction site, two small eye-catching red flags are erected. This will be the precise location of the center point of the nuclear reactor. On the shore, stands a mole, 1,400 meters in length and 14 to 16 meters in height, which can resist the stormy waves of Daya Bay. Projects such as waterproof layering which is used to prevent the penetration of sea water, a 1,000-ton class wharf for loading and unloading materials, a reservoir with a storage capacity of 1.3 million cubic meters, carrier telephones, an asphalt road which links the location with Shenzhen, and others, have been successively completed. The first phase of projects for the nuclear power station, including the "five infrastructure" projects needed before construction of the nuclear power station officially began, started on 2 April 1984, and was completed as scheduled in May this year. All this has laid a solid foundation for full-scale construction and the nuclear power station facility installation projects.

Guangdong nuclear power station in Daya Bay is an economic cooperative project with the greatest value to date, between China and Western Europe. The cost of the entire project is 3.7 billion. In March this year, Guangdong Nuclear Joint Venture Company, which is jointly run by Guangdong Nuclear Power Investment Company and Hong Kong Nuclear Power Investment Company, signed letters of intent respectively with The Framatome Company of France, Electric Power Company of France and the General Electrics Company of Britain on equipment and facility supply and related engineering services for the nuclear island and regular islands. The principal part of the nuclear power station project is expected to start in September this year.

According to the project timetable, the first generating unit will go into operation in 1992. After completion of the whole project, the nuclear power station, with an installed capacity of 1.8 million kilowatts and which is equipped with pressure reactors, will generate as much as 10 billion kilowatt-hours of electricity annually.

This will be equal to 70 percent of the existing generated energy in Guangdong Province. This project is aimed not only at making up for the insufficient power supply in Guangdong, but also at demonstrating China's determination to maintain the stability and prosperity of Hong Kong. After completion of the project, 70 percent of the power generated by the nuclear power station will be available for Hong Kong.

In the command headquarters, two of the officials in charge answered, the questions raised by this reporters in great detail. They said that insufficient power supply was a great obstruction to the acceleration of the four modernizations program in China. The eastern, southern and northeastern parts of China are industrially developed regions. Their industrial output value has accounted for more than 70 percent of the industrial output value of the whole country. However, these regions are poor in energy resources. Therefore, it is our imperative task to solve the energy supply problem in these regions by developing nuclear power energy.

At present, there are more than 300 nuclear power stations in operation throughout the world. Generated nuclear power energy in France, Sweden, Finland and others accounts for more than 30 percent of the total generated power energy of these countries. A large number of developing countries are also actively developing nuclear power. In Pakistan, India and China's Taiwan Province, there are nuclear power stations in operation. China's nuclear industry has a solid foundation. The building of the nuclear power station in Daya Bay has marked the start of China's nuclear power undertaking. Like Gezhouba, its name will also go down in history as a milestone in China's power construction projects.

With regard to safety problems, responsible technical personnel of the Shen Junwen nuclear power station maintained that the Guangdong Daya Bay nuclear power station can be regarded as perfectly safe. It is equipped with pressure reactors produced by France, with three protective screens for safety purposes. It is extremely difficult for nuclear radiation to leak through these three protective screens. Nevertheless, the nuclear power station will also adopt sufficient measures to prepare for the worst, and get rid of nuclear radiation. On 21 May, Vice Premier Li Peng inspected the nuclear power station construction site. He urged departments concerned to adopt a more serious attitude and take more forceful measures to ensure the safety of the nuclear power station.

Engineers and technical workers who accompanied this reporter to inspect the project added: "The final decision to choose Malingjiao as the site of the station was made after very careful consideration of the safety problems. It took more than 3 years to choose the site. Investigations were made in more than 30 locations. The final decision was made after appraisal through discussions by 48 experts from 17 units throughout the country. The persons concerned stressed that even if a strong earthquake of force seven occurs, the nuclear power station will still stand rock-firm.

China's nuclear power industry has just started. People are paying close attention to this large nuclear power station in Daya Bay. They will follow every solid step it takes with interest.



EMBEZZLER LENIENTLY PUNISHED IN GUANGZHOU

OW250337 Beijing XINHUA in English 0148 GMT 25 Jun 86

[Text] Guangzhou, June 25 (XINHUA) -- A Guangzhou factory official whose embezzlement and bribery totalled 116,700 yuan has been dealt with leniently because he turned himself in, returned all the money and reported other criminals.

Zhang Shixiong, 37, former deputy chief of the technological section of the Guangzhou high-voltage electrical appliance factory, embezzled 115,400 yuan within one year from March 1985 by writing phoney receipts and making false reports on equipment maintenance costs, an official of the Guangzhou Intermediate People's Court said here today. He also accepted a 1,300 yuan bribery from a cutting tool factory in Anhui Province earlier this year.

He has been sentenced to three years' imprisonment with five years' probation. All the ill-gotten money is confiscated. The court official said Zhang should have been penalized severely according to China's criminal law for abusing his power to embezzle a huge sum of public money. Zhang was dealt with leniently because he showed remorse, reported his crime, returned all the illegal money and revealed other offenders, the official added.

Legal education began in Zhang's factory on April 1. His wife pleaded with him to turn himself in. He reported the affair to the Guangzhou Procuratorate on April 4.

GUANGDONG TO USE TECHNOLOGY TO 'SPUR' ECONOMY

OW241914 Beijing XINHUA in English 1446 GMT 24 Jun 86

[Text] Guangzhou, June 24 (XINHUA) -- Guangdong Province in southern China will mainly rely on science and technology to develop its rural economy in the future, according to a high-ranking local official. Speaking at a recent meeting, Guo Rongchang, deputy secretary of the provincial Communist Party Committee, said this is part of the country's "sparkling plan". The plan, created by the State Science and Technology Commission, is aimed at developing practical technology to spur China's rural economy. It covers 24 major sectors including the development of mountainous areas, aquaculture, livestock farming, and processing of farm and sideline products.

Guo, who is in charge of rural work, said that with rural reform going ahead in the province, the role of science and technology has shown more and more importance in rural economic development.

From now on, he said, the province will mainly depend on science and technology to develop rural productivity, and modern means of production should gradually take the place of old ones. "This is a big change in our guidelines for rural economic work," he said.

The province will give technical training to 50,000 educated young people for its township-run factories during the Seventh Five-Year Plan (1986-1990), he said.

Other projects include developing technology and equipment for rural factories, establishing 25 research and production centers, and arranging 200 science demonstration projects.

For the near future, emphasis will be laid on developing aquaculture, poultry breeding, fodder processing, production of foodstuffs and daily necessities, mining, construction and storage and packing techniques.

HUNAN'S MAO ZHIYONG STRESSES NEED FOR GOOD TEACHERS

HK260303 Changsha Hunan Provincial Service in Mandarin 2200 GMT 25 Jun 86

[Excerpts] According to HUNAN RIBAO, provincial CPC Committee Secretary Mao Shiyong said at a recent meeting that mobilizing ex-teachers to return to their former profession, reducing the number of district and township education administrative personnel and organizing them to return to teaching in school, and building a stable, ample, and well-qualified teachers contingent represent a current important measure and urgent task in strengthening basic education. This is also the most important practical thing that the party and government leadership at all levels can do for education. The party committees and government at all levels must learn from the Changde Prefectural CPC Committee and Commissioner's Office and summon up great resolve to do this work well. The task should be basically completed by September.

In recent years some 3,800 backbone primary and secondary school teachers have been transferred to party and government organs and various other departments in the province, or have switched to other work. Some 10,000 teachers have been transferred to upper-level education departments as non-teaching administrators. This has caused serious instability in the secondary and primary teacher contingent.

The Changde Prefectural CPC Committee and Commissioner's Office have acted in light of the instructions of the central departments concerned and the provincial CPC Committee and government and taken resolute action to mobilize teachers to return to their former profession and reduce the number of administrative personnel, with good results.

Comrades Mao Zhiyong, Liu Zheng, and Wang Xiangtian pointed out at the meeting that if the whole province can act like Changde and summon up resolution to tackle the work, the province will easily be able to mobilize several thousand or as many as 10,000 teachers to return to the schools to teach. This would be the equivalent to 1 year's output of all teacher-training colleges and schools in the province.

SICHUAN: CHONGQING SUPPORTS FACTORY REFORMER

OW231406 Beijing XINHUA in English 1340 GMT 23 Jun 86

["News Feature: Joys and Hardships of Reformers" -- XINHUA headline]

[Text] Chongqing, June 23 (XINHUA) -- After experiencing undue criticism, factory directors in Chongqing City, Sichuan Province, are regaining confidence in their decision-making powers with the enthusiastic support of the municipal leadership.

Liu Guyin, 55, a director of the Chongqing Rubber Belt Factory, is one of the successful managers who experienced the joys and hardships of a reformer.

When she was appointed director in 1982, she took over from a group of unqualified cadres. She set up detailed production regulations and in three years, the economic results propelled the factory from the bottom to the top of the country's 300 rubber belt enterprises.

Early last year, she organized a meeting to promote rubber belt sales. It unexpectedly brought the factory a profit of one million yuan. However, because of the meeting, she was blamed for "going too far in the reform".

There was a stir in the city when she became the target of criticism in the press and was put under investigation by some discipline and financial inspection teams. The criticism centered around some popular singers who performed for potential buyers and the excessive use of funds on the meeting. Some people even used the event to launch unjustified accusations.

For a period of time, Liu was in a deep depression and doubted her fate as a path-breaker. But many of her fellow workers supported her. The city authorities also sent officials to the factory to check facts. They fully confirmed the merits of the director and encouraged her to go on with her reforming programs.

"CHONGQING DAILY" made a public apology for its inaccurate report on the factory.

The mayor of Chongqing, Xiao Yang, told XINHUA that it is especially urgent now to create an atmosphere which encourages people to take up creative methods in economic reforms.

Since 1983, about 400, or one-third of the enterprises under the direct leadership of the Chongqing government, now employ the manager responsibility system in which factory managers can appoint deputy directors and other assistants and can set up rules and regulations governing production and discipline. With their intelligence and creativeness, many new leaders have helped their enterprises make unprecedented profits and also improved the economic benefits of the employees.

A new regulation issued by the city government last month stipulated that these directors cannot be removed from their posts at the will of their superior departments without reason.

An official of the municipal committee for economic restructuring told XINHUA that while exercising their power over the personnel, reward and penalty systems, the new leaders would unavoidably affect some people's interest and conventional ideas.



That is why some people looked for minor flaws in the enthusiastic reformers. "Mistakes are unavoidable in the process of reform, the result of which hinges China's future," he said. "Therefore we must warmly support the initiative reformers and help them remove obstacles."

In another case, the city authorities discovered that false accusations had been made against five officials from four furniture factories. Public meetings were then held in these factories to clear facts and confirm the achievements of reform. Because of the enthusiastic support of the local government and Communist Party authorities, many factory managers now are more confident in their work.

Liao Bokang, secretary of the municipal party committee, wrote a letter to Ye Zubi, 49, an official of the furniture factory, to show his support. Ye said: "I firmly believe that reformers nowadays have a much brighter future than those in the past."

#### SICHUAN DISCUSSES JUVENILE DELINQUENCY PROBLEMS

HK150247 Chengdu Sichuan Provincial Service in Mandarin 0930 GMT 13 Jun 86

[Excerpts] The work of educating and saving young delinquents is currently facing a new situation and urgently needs reforming and strengthening. This was a major topic of a provincial conference on helping and educating juvenile delinquents who commit minor crimes, which concluded in Chengdu today under the auspices of the provincial Public Security Department.

The province has scored a certain degree of success in helping and educating young delinquents in recent years. A number of minor offenders have mended their ways after education. From 1983 to 1985, over 70 percent of those helped and educated were properly reformed and ceased their activities.

However, juvenile delinquency remains a very prominent problem today. It has become a problem threatening public order, and it must not be neglected. Youths and juveniles are involved in a high proportion of crimes.

The participating comrades held that the fundamental reason why the juvenile delinquency problem has not been completely solved is that measures for dealing with the problem in a comprehensive way have not been firmed up. They appealed to the departments concerned to pay sufficient attention to the work of helping and educating delinquent youths and juveniles. Under the leadership of the party committees and government, it is necessary to mobilize all units and departments and the grass-roots party and government organizations in the rural areas to tackle this task together and score still greater achievements in providing help and education.

#### YUNNAN URGES IMPLEMENTING POLICY ON INTELLECTUALS

HK200237 Kunming Yunnan Provincial Service in Mandarin 2200 GMT 19 Jun 86

[Excerpts] The Yunnan Provincial CPC Committee held a meeting of responsible persons of provincial units on the afternoon of 19 June, which called on all provincial units to basically complete by year-end the task of implementing policies on intellectuals.

A responsible comrade of the Organization Department of the provincial CPC Committee pointed out: Some provincial units have recently done well in implementing the policies on intellectuals. The leaders have attached importance to this work, and the work has progressed well. Some have basically completed this task. However, progress has been slow and work mediocre in many units. This is very unfavorable for meeting the province's deadline for implementing the policies on intellectuals. He put forward the following views for the next stage of this work in the provincial units:

1. The party organizations must seriously study the spirit of the relevant central documents. They must also strengthen and augment the work groups for implementing the policies on intellectuals, establish work responsibility systems, increase inspection and supervision, and go deep into reality to discover and solve problems.

2. Victims of miscarriages of justice during and before the Cultural Revolution who have not yet been rehabilitated must have the verdicts on them promptly corrected. We must help those who have been rehabilitated to resolve problems of the aftermath. Those who have not been completely rehabilitated must be completely rehabilitated, without any stain being left.

3. We must seriously and fully review personnel files on intellectuals that have not yet been reviewed. We must assign reliable people with upright work style who are trusted by the intellectuals to take charge of this work.

4. We must seriously return property and housing taken from the intellectuals during the Cultural Revolution. We must also carry out ideological and political work on those people currently holding intellectuals' property and occupying their houses. Salaries withheld from intellectuals during the Cultural Revolution must be made up in full. College graduates sent back to their hometowns during the 3 difficult years should be taken back and have work assigned by their original units. We should also hurry to solve problems of separation of husband and wife or transfer of household registration from rural to non-rural areas resulting from work arrangements and so on. We should solve problems of recruiting intellectuals into the party.

Liu Shuji, deputy secretary of the provincial CPC Committee and head of the provincial liaison group for work concerning intellectuals, spoke at the conclusion of the meeting.

BEIJING MAYOR ATTENDS PUBLIC SECURITY MEETING

SK250447 Beijing BEIJING RIBAO in Chinese 11 Jun 86 p 1

[Excerpt] On the afternoon of 10 June, the Beijing Municipal CPC Committee held a conference to make arrangements for carrying out a drive of severely dealing blows to those who seriously jeopardize public security and social order.

Chen Xitong, secretary of the municipal CPC Committee and mayor of the municipality, presided over the conference. Li Guang, Standing Committee member of the municipal CPC Committee and secretary of the Political and Legal Commission of the municipal CPC Committee, and Feng Ming, vice mayor of the municipality, attended the conference.

In their speeches to the conference, responsible comrades of the municipal CPC Committee pointed out: The capital's public security situation has been generally good since the beginning of this year. There exists a prominent problem in which the number of criminal cases, serious criminal cases in particular, continues to increase. Such serious criminal cases as murder, rape, robbery, and theft and cases involving hooligans assaulting people have seriously damaged public order. Thus, we should concentrate this struggle on dealing blows to murderers, rapists, robbers, bomb planters, arsonists, serious thieves, and hooligans who assault women.

Responsible comrades of the municipal CPC Committee pointed out: The struggle against serious criminal offenders who jeopardize public security and social order is a matter which will decide whether or not the capital can attain the goal of realizing a stable turn for the better in public security, ensure the smooth progress of the two civilizations, and safeguard the people's lives and property.

The municipal CPC Committee called on CPC committees and governments at all levels to vigorously grasp the propaganda and mobilization work and urged all localities and units to hold meetings of party members, CYL members, and cadres and mass rallies to ferret out criminal activities jeopardizing public security and social order. All departments and units should regard this struggle as an important task and firmly attend to it. On the basis of conscientiously analyzing and studying the public security situation, we should formulate specific measures for safeguarding public security, organize powerful working groups headed by leading comrades on a responsibility basis to take charge of waging the struggle, strengthen supervision and examination, and firmly and deeply grasp the struggle.

XING CHONGZHI AT HEBEI MEETING ON RECTIFYING PARTY STYLE

SK232135 Shijiazhuang HEBEI RIBAO in Chinese 5 Jun 86 p 1

[Excerpts] This afternoon, the provincial party rectification leading group held its fourth party rectification meeting of provincial organs.

The meeting stressed that in rectifying party style and in consolidating discipline in particular, we should not slacken our efforts to implement the policy of "being first resolute and second persistent in doing our work," and should continue the work in a dovetailed manner.

At the meeting, the provincial Public Security Department, the provincial Labor and Personnel Department, the general office of the provincial government, the provincial Light Industrial Department, the provincial Supply and Marketing Cooperative, and the general office of the provincial CPC Committee submitted written reports to the meeting to introduce their situations in consolidating discipline and handling cases.



A comrade of the investigation group of the provincial Discipline Inspection Commission gave an account of the problems concerning the serious violations of discipline in the course of selecting and appraising the province's "10 top" sportsmen.

Han Guang, permanent secretary of the Central Discipline Inspection Commission; Xing Chongzhi, secretary of the provincial CPC Committee; and Bai Shi, member of the Standing Committee of the provincial CPC Committee, secretary of the provincial Discipline Inspection Commission, and deputy director of the party rectification leading group of the provincial organs, attended and spoke at the meeting. Lu Chuanzan, member of the Standing Committee of the provincial CPC Committee and secretary general, presided over the meeting.

Comrade Xing Chongzhi also gave a speech, in which he said: Hebei Province has favorable conditions because at present, we have the party's correct policies and the enthusiasm of the broad masses of people. The key to making our work successful lies in the work of our leaders at all levels. The broad masses of cadres should promote the spirit of the foolish old man who removed the mountain and do their work well. Does the current rectification of party style affect reform? The rectification of party style in our Hebei Province has promoted reform. Persisting in reform is our primary task and rectifying party style is an important guarantee for the smooth advance of reform. We should not slacken our efforts to grasp the rectification of party style, and should grasp the work earnestly for 2 years. He stressed: While rectifying party style and consolidating discipline, the party organizations at all levels should pay attention to improving the democratic life, and persist in democratic centralism, because they have a vital bearing on consolidating the party rectification achievements. The inner party life should be regularized. It is necessary to promote democracy and conduct criticism and self-criticism. Leading cadres of the party should receive supervision from the party members and the masses. At the end of his speech, Comrade Xing Chongzhi expressed the hope that the various provincial units will firmly foster the idea that leadership means service, render better service to the lower and the grass-roots levels, thoroughly change our work style, do a good job in reform, and advance our economic work.

#### TIANJIN BUILDS GROUND SATELLITE STATION IN DAGANG

SK270354 Tianjin City Service in Mandarin 1330 GMT 26 Jun 86

[Text] The Dagang district broadcast station in Tianjin Municipality recently completed building a satellite ground reception station. On 24 June the station was put into trial operation. The reception during the trial operation was very good.

GANSU MEETING DISCUSSES RURAL PARTY RECTIFICATION

HK240159 Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 23 Jun 86

[Text] At the provincial forum on rural party rectification work which concluded on 23 June, Hou Zongbin, deputy secretary of the provincial CPC Committee, and Wang Zhanchang, member of the Standing Committee of the provincial CPC Committee and permanent deputy head of the provincial CPC Committee's party rectification leadership group, stressed that all localities must further strengthen leadership and do a good job in rural party rectification work from beginning to end.

Party rectification has been launched in an all-round way in the province's township seats and in enterprises and units below county-level since the rural party rectification work forum in March. According to statistics, party rectification has now been completed in 30.9 percent of the township seats in the province. A further 31.1 percent are now conducting comparison and examination or rectification and correction.

Rural party rectification has not developed evenly during this period. In some places slow progress has been made in investigating and dealing with major violations of discipline, and action has been ineffective.

In view of these problems, Hou Zongbin and Wang Zhanchang said that the party organizations at all levels must regard the implementation of Comrade Hu Yaobang's important instructions delivered during his inspection of Gansu as the guiding ideas for rural party rectification. They must conduct education in party spirit for party members in a variety of ways, and help them to establish great ideals and play a model and leading role in developing commodity production, promoting diversification, and building the two civilizations in the rural areas.

Hou Zongbin and Wang Zhanchang also demanded that all localities start party rectification by grasping major and important cases, focusing on solving problems of abuse of power and violations of law and discipline. It is necessary to break through networks of relationships, clear away interference, carry investigations through to the end, and ensure the proper completion of rural party rectification work in Gansu.

GANSU FORUM EXAMINES QUESTIONS ON PARTY STYLE

HK260233 Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 25 Jun 86

[Excerpts] A provincial symposium on work regarding party style concluded in Lanzhou on 25 June. The meeting was attended by leading comrades of the province including Li Ziqi, Huang Luobin, Jia Zhijie, Liu Bing, Wang Bingxiang, Hou Zongbin, Lu Kejian, Wang Zhanchang, Ma Zuling, Wang Jintang, and (Song Jingchun). Provincial CPC Committee Secretary Li Ziqi conveyed the important instructions delivered by Comrades Hu Yaobang and Tian Jiyun during their inspection of southern Gansu, Lanzhou, Dingxi, and Pingliang. He also made an important speech on the province's implementation of the central instruction on doing earnest work for 2 years to straighten out party style.

Hou Zongbin, deputy secretary of the provincial CPC Committee, and Wang Zhanchang, member of the Standing Committee of the provincial CPC Committee and secretary of the provincial Discipline Inspection Commission, respectively spoke on the basic experiences in straightening out party style in Gansu and on how to further improve this work amid the new situation of reform.

The responsible comrades of the provincial CPC Committee stressed that in order to get a good grasp of party style in the new situation of reform, it is necessary to study the new situations, sum up the new experiences, and integrate straightening out party style with promoting economic work. We should reach the goal of both straightening out party style and ensuring and stimulating the smooth progress of reform.

#### QINGHAI PLANS TO DEVELOP INDIVIDUAL ENTREPRENEURS

HK241110 Xining Qinghai Provincial Service in Mandarin 2230 GMT 22 Jun 86

[Text] The provincial Industry and Commerce Administrative Bureau recently formulated a plan for developing individual entrepreneurs in industry and commerce in our province during the Seventh 5-Year Plan period. The orientation and principle for the development of individual entrepreneurs in industry and commerce in our province during the Seventh 5-Year Plan period are:

The urban industrial zones with Xining and Qaidam as the centers must actively create conditions for vigorously developing commercial information and advisory work, the repair trade, service trades, and the tertiary industry, including laundry, dyeing, running bathhouses, haircutting, running beauty parlors, preschool education, and nurseries. They must do a good job in providing services before and after production and in resolving residents' practical problems.

In the wake of the readjustment of the production structure, the eastern agricultural zones must vigorously help and recruit the surplus labor force and embark on trades, including the agricultural and sideline product processing trade, house repairing trade, communications and transport trade, repair trade, and service trade, in order to invigorate the economy, develop community production, eliminate poverty, get rich, and change the outlook.

The animal husbandry zones must vigorously do propaganda work and lead herdsmen to change their traditional customs and to develop commerce, communications, transport, the livestock product processing trade, and production of small commodities needed by herdsmen. In particular, it is necessary to vigorously support the processing and production of articles for use by nationalities.

Regarding the exploitative trades, including mining, gold mining, running small hydroelectric power stations, and greening barren mountains, the industry and commerce administrative departments must relax the conditions for examination and approval and give support in the aspects of materials, funds, factory sites, and technology. As to the repair and service trades whose labor quantity is large and charges low, the administrative charges levied on them can be suitably reduced or remitted to encourage these trades to develop.

At the same time, individual entrepreneurs in industry and commerce from other provinces and places are welcomed to our province to do business.



By 1990, the number of individual entrepreneurs in industry and commerce in the whole province will be 73,000 and the number of their workers 135,000, accounting for 3 percent of the total population of the whole province.

SHAANXI: BAI JINIAN EXPLAINS PARTY CONTRADICTIONS

HK240129 Xian Shaanxi Provincial Service in Mandarin 2330 GMT 23 Jun 86

[Text] Shaanxi Provincial CPC Committee Secretary Bai Jinian said at a gathering of leading party-member cadres of the provincial organs on 23 June that it is essential to increase education in party spirit, seriously investigate and deal with major and important cases, clear away the remnants of feudalism, and put political life and democratic centralism on a sound basis in the party organizations at all levels.

Bai Jinian pointed out: All units, whether they have completed party rectification, are now in process of doing so, or have not yet started it, must regard Comrade Hu Yaobang's 9 April 1986 speech on party style and contradictions in the party as an important topic for study. The party organizations at all levels must first get a good grasp of conducting education in party spirit for party members, and especially in the program of serving the people wholeheartedly. It is essential to inherit and carry forward the glorious revolutionary traditions of the Yanan period, strengthen affection for the masses, eliminate bureaucratism truly care for the masses' interests and well-being, and do good and practical deeds for them.

Second, we must get a good grasp of investigating and dealing with major and important cases. While tackling major economic cases, we must not neglect cases that have done serious political damage to party discipline. We must seriously investigate and deal with people who deliberately insert, promote, and employ in important positions, relatives and cronies, squeeze out, deal blows at, and lay false charges against comrades whose views differ from theirs, base their judgments and sentences of cases on their own personal interests, and even deliberately perpetrate miscarriages of justice, and people whose extreme irresponsibility and serious bureaucratism cause heavy economic and political losses.

Bai Jinian stressed: In studying Comrade Hu Yaobang's speech, we must correctly view and handle the two kinds of contradictions in the party. One kind consists of contradictions between different views and opinions in work. The other kind consists of contradictions between individual interests and the interests of the party and people. Most cases of these two kinds of contradiction are not antagonistic. We should solve them mainly by conducting education and putting inner-party political and democratic life on a sound basis. However, party members who boycott the CPC Central Committee's ideas and policies in their work, who spread, outside the party organization, their own ideas and policies in opposition to those of the Central Committee, who seriously violate law and discipline, who abuse power for private interests, and who seriously damage the interests of the party and people cannot remain in the party unless they mend their ways. Those who break the state laws must be dealt with according to the law.

Li Xipu, head of the provincial CPC Committee's party rectification leadership group, at the gathering conveyed the spirit of the north China forum on grass-roots party rectification. He also outlined arrangements for grass-roots party rectification and for consolidating and developing the fruits of party rectification in units at and above county-level.

TAIWAN FISHERMEN TAKE SHELTER IN SHANGHAI HARBOR

OW261752 Shanghai City Service in Mandarin 0000 GMT 26 Jun 86

[Text] Forty-five fishing boats from Taiwan ports arrived in Shanghai Harbor on 24 Jun to take shelter from a storm. On 25 June, nearly 400 fishermen went ashore, visited Sun Yat-sen's residence, worshipped Buddha at the Longhua and Yufo temples, and visited the Boashan Iron and Steel Complex.

The Taiwan Affairs Office of the Shanghai Municipal People's Government gave a luncheon for the Taiwan compatriots at the Pujiang Hotel on 25 June. During the luncheon, Vice Mayor Li Zhaoji had a cordial conversation with the compatriots from across the Taiwan Strait, welcomed them to Shanghai while taking shelter from the storm, and wished them success in their fishing business. The Taiwan fishermen lustily sang a Taiwanese song "We Are From One Family," expressing their wish for an early peaceful reunification of the motherland.

To our knowledge, an all clear has been issued from this year's typhoon No 5. The Taiwan fishing boats will leave Shanghai Harbor for their fishing zones on 26 June.

COMMENTARY DISMISSES PRC'S 'DIPLOMATIC JUGGLING'

OW261445 Taipei CNA in English 1408 GMT 26 Jun 86

[Text] Taipei, June 26 (CNA) -- The following is a commentary by the Broadcasting Corporation of China (BBC) in Taipei entitled "Peking's Trail Balloon":

In the wake of an Argentine naval attack on an unarmed fishing vessel from the Republic of China earlier this month. Peking's Foreign Ministry sent a note to the Argentine Government to express its "concern" over the incident. The ROC representative office in Buenos Aires immediately reminded the Argentine Government that it was purely a matter between Taipei and Argentina in which Peking had no voice whatsoever. Understandably, the Argentines also ignored Peking's gesture.

Political observers believe that Peking did not really expect any official answer from Argentina but made the move anyway as a trial balloon with a view to finding out the reaction from free China and the international community.

The speculation is well-founded. Peking recently inaugurated a "Taiwan Affairs Office" in its Foreign Ministry for the exclusive purpose of creating the impression that the ROC on Taiwan is a local authority equal to post-1997 Hong Kong and Macao in status. It is natural for the communist regime to want to know how the international community responds to the gimmick. As a matter of fact, Red China began trying to pull the wool over the eyes of the family of nations several years ago when it notified foreign governments asking them not to set up representative offices in or issue entry visas to ROC citizens.

However, Peking's request has been totally ignored -- and for good reasons. First, free China has been universally accepted as a sovereign state even though its official representation has shrunk drastically since the early 1970's. In addition to more than 20 official missions abroad, the ROC has set up scores of semi-official offices in free world nations. Besides, the ROC's across-the-board progress has won recognition worldwide. Consequently, the country has been able to maintain and expand substantive relations with all but communist nations in the world.

Secondly, the Peking regime itself has nothing to show except the size of the territory and population under its control. After more than 30 years rule on the Chinese mainland, the communist regime is beset by internal problems and has nothing to boast of in external relations.

Despite the vast resources at its disposal, Red China remains the most backward and poorest country in the world. Although it has been courted by both the U.S. and the Soviet Union in recent years, the fact remains that it is no better than a regional power and is being played by the superpowers as a "card" in their geopolitical game -- and a dubious card at that.

So far as the ROC remains strong and keeps progressing, no amount of diplomatic juggling or sleight of hand by Peking will affect its international position as a constructive member of the world community.

#### COMMENTARY WARNS PHILIPPINES ON PRC INTENTIONS

OW251457 Taipei CNA in English 1428 GMT 25 Jun 86

[Text] Taipei, June 25 (CNA) -- The following is a commentary by the Broadcasting Corporation of China (BCC) in Taipei entitled "Don't Be Naive":

During the recent visit of Philippine Vice President and Foreign Minister Salvador Laurel to Red China, he received assurances from Teng Hsiao-ping and Chao Tzu-yang that Peking's policy toward the Philippines is "non-intervention, non-involvement and non-interference."

Laurel seems to take the assurance at their face value. He said, and we quote "I have been emphatically assured by Chairman Teng Hsiao-ping and Premier Chao Tzu-yang that the Chinese Communist Party has stopped, I repeat stopped, all contacts with the Communist Party in the Philippines." As a result, Laurel added, the Philippine Communist Party no longer will be able to misconstrue any fraternal greetings that Red China has extended to it as encouragement of subversive activities. He also accepted Peking's story that Red China gave material support to other communist parties only during the first 10 years of the communist regime.

With all due respect for the Philippine vice president, one must say he has been taken in by Peking's sweet talks. In our view, he and other leaders of the new Philippine Government should listen to the views of others who understand the Chinese communists better.

Now let's see what the Indonesians are saying about Peking's assurances of "non-intervention, non-involvement and non-interference." INDONESIAN TIMES said in its words:

"The Philippine Communist Party has been fighting the Philippine Government for many years with increasing success. So far the expressed attitude of Red China towards the Philippine Communist Party and other underground communist parties in Southeast Asia is that it would not provide material support but would continue to provide moral support to them. Therefore, the latest assurance from Red China does not in fact constitute any change in the Communist China's policy towards the underground communist parties operating in the Southeast Asian countries. By sending fraternal greetings to an insurgent communist party implies recognition of that party and approval of its rebellion against the government of the country, and this attitude renders dubious the assurance that Red China does not give material support. Besides, there is not means to verify the truth of this assurance.



"Actually Red China is pursuing a double-faced policy. While professing to establish friendly relations with the governments of the southeast Asian countries, it tries to keep itself in the good book of the underground communist parties of Southeast Asia so that if any of them succeeds in coming into power, Red China can immediately assume diplomatic and other relations with the new communist regime and turn it as its loyal ally."

The paper concluded its editorial comment by saying: "The Southeast Asian countries, especially the ASEAN member countries, should continue to be on their alert against Peking's policy and the activities of the underground communist parties."

While we are sympathetic with the new Philippine Government's desire to get help from all sides to resolve the country's various problems, we must warn Manila that one thing they should avoid is to put faith in communist promises or assurances.

#### COMMENTARY ADVOCATES RECIPROCITY IN U.S. TRADE TALKS

OW241347 Taipei Domestic Service in Mandarin 2300 GMT 22 Jun 86

[Station commentary]

[Text] Last week the Republic of China [ROC] and the United States launched a series of trade talks, which will last through the next 3 months. Last week talks were held in Taipei on opening local markets to U.S. wine and tobacco imports, while this week in Washington representatives of the ROC and the United States will hold the second round of talks on textile trade.

For the purpose of conducting these talks, the U.S. Government has formally forwarded to the ROC a plan for balancing the ROC-U.S. trade. Using trade laws as a bargaining chip and setting specific scopes and schedules, the U.S. Government has once again asked the ROC to lower tariffs, provide market access to U.S. imports, and allow more U.S. investments in local service businesses.

To cope with these talks, the ROC Government arranged for Chao Yao-tung, chairman of the Council for Economic Planning and Development, to invite the ministers of foreign affairs, finance, economic affairs, and communications to a meeting with the ad hoc group for ROC-U.S. trade under the Executive Yuan on 10 June to discuss the extent the ROC can accept the U.S. plan and to work out countermeasures.

It seems that these ROC-U.S. trade talks will be an arduous struggle for the ROC representatives. In addition to saluting them for their hard work, we should make the United States realize the basic facts. The ROC's switch from a long series of deficits to surpluses in its trade with the United States is not an accidental phenomenon, but is a result of many factors. It is closely related to the differences in the ROC and U.S. economic structures and to the ROC's rapid economic growth. Limited in economic scale and natural resources, the ROC naturally relies on an open and export-oriented economy. Although the ROC exports its products to all parts of the world, the strong consumer demand in the United States has singled that country out as the ROC's primary market. Moreover, the United States can well afford to import ROC goods because of its own huge economic scale and high incomes.

Particularly popular with U.S. consumers, ROC industrial goods have become the main import commodities for the United States. However, the ROC market potential for U.S. imports is so limited that U.S. consumer goods account for only some 7 percent, with machinery and industrial and agricultural raw materials accounting for over 90 percent. Nevertheless, the ROC market is considered to be flooded with foreign goods even with this seven percent of imported U.S. consumer goods. On the other hand, the ROC cannot buy from the United States the important products it needs because of restrictions imposed by the U.S. Government. Oil is an excellent example in this connection. Therefore, the U.S. representatives should be made to realize that the trade balance in favor of the ROC is by no means the result of unfair trade policies taken by the ROC.

Moreover, every nation has its own unique system and policies for national construction. These systems and policies should be respected; failing this amounts to interference in the internal affairs of that nation. The ROC should stand its ground on its wine and tobacco monopoly practices, which are part of the ROC's financial system. The United States should also respect the ROC stand in order to facilitate the talks. The process of transition from misunderstanding to understanding, through exchanges of views, that marked the talks on opening the ROC market to U.S. wine and tobacco imports should serve as a perfect model for conducting talks. It is hoped that the second round of talks on textile trade will end successfully, as a result of a complete exchange of views and mutual understanding.

In a nutshell, we sympathize with the U.S. concern over its trade deficit, and agree that ROC-U.S. trade relations should be improved by conducting talks. However, in holding these talks, the two sides should stand on an equal and mutually beneficial footing and seek fundamental and reasonable solutions to the basic causes of problems in order to resolve the ROC-U.S. trade imbalance through consultations.

ZHAO ZIYANG TO VISIT EUROPE, AFRICA IN JULY

HK270754 Hong Kong HSIN WAN PAO in Chinese 27 Jun 86 p 4

[Report: "Chinese Premier Zhao Ziyang To Visit Six Countries in Europe and Africa in July"]

[Text] Chinese Premier Zhao Ziyang will make an official visit to Yugoslavia, Greece, Spain, Turkey, Tunisia, and Romania in July. He is scheduled to leave for Yugoslavia on 6 July to begin his tour which will last for over 20 days.

WANG DONGXING REAPPEARS IN BEIJING 26 JUN

HK270238 Hong Kong TA KUNG PAO in Chinese 27 Jun 86 p 3

["Special Dispatch": "Wang Dongxing Appears in Beijing"]

[Text] Beijing, 26 Jun -- Wang Dongxing, the former leading CPC political figure, who had not appeared for a long time, was driven in a car this morning to the Wenjin Club, the entertainment center for high-ranking cadres, where he was in high spirits as he watched a martial arts display. Wang Dongxing is currently a member of the Central Advisory Commission. Also present on the occasion were Rong Gaotang, Zhao Cangbi, Liu Jianzhang, and Jiang Yizhen. Some commentators here hold that the appearance of Wang Dongxing on a public occasion shows that the CPC is striving to create a political atmosphere of relaxation and harmony.

PRC CONCERNED AT BEING USED AS DRUG STAGING POST

HK270419 Hong Kong SOUTH CHINA MORNING POST in English 27 Jun 86 p 10

[By Kevin Sinclair]

[Text] China is becoming increasingly concerned at being used as a drug-running staging post by international narcotics rings. Close links have now been forged between the national police in Beijing and law enforcement bodies in other nations to help combat shrewd drug runners who use Chinese airports as take-off points to slip drugs abroad. There is particularly close and active co-operation between the Guangdong Public Security Bureau, the Chinese Customs Service, the Royal Hong Kong Police and the Hong Kong Preventive Service.

In the past 18 months there have been at least seven major cases, mostly in the New Territories frontier area, involving the seizure of opium, cannabis, mandrax and other artificial depressant drugs. They are thought to have been smuggled into Hong Kong across the border. But although Hong Kong remains a convenient base for smugglers, the focal point for drug runners has moved north.

When China opened its doors to the outside world, drug smugglers were among the first eager people to duck inside. As communications have improved, so the flow of drugs has grown. China has carried out a relentless campaign to clamp down on drugs. Although figures are not available, it is known that people caught dealing in narcotics have been executed.



The profits are such that the traffic continues despite the risk of a bullet in the head.

According to reliable sources within China, Hong Kong, Australia and South East Asia, there are two main routes that take drugs into China and out to the world. The first involves Hong Kong.

Chinese law enforcement officials have told visiting police that opium is being smuggled into southwest China then taken overland to Hong Kong via the Guangzhou area. The source of the drug is that old bugbear of international drug fighters, the Golden Triangle. By masterminding the traffic, the Kuomintang remnant armies there are still fighting a rearguard action against Beijing.

Another part of this pattern is by sea, with drug consignments from Thailand unloaded along the unguardable coastline of Guangxi and Guangdong and then taken by road towards the Hong Kong border. Now there are suspicions that at least some of the opium seeping eastwards from Yunnan could have been grown inside China.

The second route from South and Southeast Asia through China to the rich markets of the drug-hungry Western world is more modern and a lot more sophisticated. This involves the new air routes that link China with Thailand and Pakistan. Intelligence reports compiled by international drug enforcement bodies, and confirmed by Chinese officials, say this well-oiled system sees paid couriers from Bangkok and Karachi flying into China with hand baggage full of opiates. In Chinese transit lounges, the drugs are passed on to other couriers catching aircraft for Australia, Europe or North America.

Another version of the drugs trail is to carry narcotics in suitcases, in the belief that China's inexperienced customs officials will not find skillfully hidden drugs among tourists' luggage. Once the narcotics are inside China, they can be carried with relative impunity inside the country until being handed over to the courier who is being paid to run them into a target country.

Why go to all this trouble? Ironically, because of China's good standing and reputation as a drug-free society. When a Civil Aviation Administration of China aircraft arrives in Sydney, for example, customs men are likely to be less suspicious of arriving passengers than if they had come direct from a notorious drug centre, such as Bangkok. "To say that Chinese officials are furious at their country being used in this manner is a great understatement," one American agent has said.

#### UNCERTAIN FUTURE OF MACAO POLITICAL PARTIES VIEWED

HK270416 Hong Kong SOUTH CHINA MORNING POST in English 27 Jun 86 p 8

[By Albert Chan]

[Text] Beijing's opposition to political parties in Hong Kong has touched a sensitive nerve in Macao, where politics is alive and well. Hong Kong's Legislative Councillors do not belong to political parties, but it is a different story in Macao, where the Legislative Assembly is made up of representatives of several major parties.

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Although leaders are reluctant to label their groups as political parties, the way they operate is unmistakably political. In fact, Macanese politics has long been dominated by groups with political links in Portugal. Some Macanese have been active in the territory's complex political wrangling for years.

The best known example is the bitter row in 1984 between the leader of the Association for the Defence of the Interests of Macao (ADIM), Dr Carlos d'Assumpcao, his supporters and the then governor, which led to the dissolution of the assembly. However, Dr d'Assumpcao said ADIM should not be called a political party, "political parties are very expensive to run. We are a civic association," he said.

He is well aware of Beijing's sensitivity to party politics. "I understand China wouldn't like a fire near its door," he said.

Apart from ADIM, two other groups are prominent in Macanese politics. They are the Macao Democratic Centre (CDM), led by lawyer Dr Neto Valente, and the Macao Independent Group (GIMA), led by journalist Mr Leonel Borralho.

Mr Alexandre Ho, an outspoken commentator on Macao affairs, is the leader of a group of Chinese called Flower of Friendship and Development of Macao (FADEM).

Like Dr d'Assumpcao, he denied his group is a political party. "We are a team only," he said. He said his "team" is immature and has no strong ideological or political lines. "In Macao, the Chinese do not have any political parties. Only the Macanese do," he said.

Some observers believe China is less concerned with politics in Macao because none of the parties is anticommunist or has strong links with Taiwan. But one big question remains: whether China will tolerate the Macanese parties after it resumes control from Lisbon.

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